



USAID
FROM THE AMERICAN PEOPLE

AZERBAIJAN

AZERBAIJAN COMPETITIVENESS AND TRADE (ACT) PROJECT

*ACT Progress Report for FY2013 Quarter 1
October 1 – December 31, 2012*



Picture Caption: Anar Azimov, Value Chain Specialist, Azerbaijan Competitiveness and Trade (ACT) Project in front of the Project's demonstration stand during the Pomegranate Festival in Goychay.

November 2012

**Prepared for the United States Agency for International Development, USAID Contract #:
AID-EEM-I-00-07-00003-00, Task Order #: AID-112-TO-10-00002**

Sibley International Principal Contact: David Snelbecker
CEO
Sibley International LLC
1250 Connecticut Ave., NW, Suite 200
Washington, DC 20036
Tel: 1.202.833.9588
Email: dsnelbecker@sibleyinternational.com

In Azerbaijan: Melani Schultz
Chief of Party
ACT Project
133 Bashir Safaroghlu St.
SAT Plaza, 15th floor,
Baku, Azerbaijan, AZ1009
Tel: +994 12 596 2435
melani.schultz@actProject.net

Azerbaijan Competitiveness and Trade (ACT) Project

ACT FY2013 Q1 October 1 – December 31, 2012

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the U.S. Agency for International Development or the United States Government.

ACRONYMS

ABM	Activity Based Management
ACT	Azerbaijan Competitiveness and Trade Project
AML	Anti-Money Laundering
BDS	Business Development Service Providers
CBA	Central Bank of Azerbaijan
COP	Chief of Party
CSO	Civil Society Organization
DVC	Digital Video Conference
EU	European Union
FI	Financial institutions
FMS	Financial Monitoring Service
GAPS	Good Agricultural Practices
GATT	General Agreement on Tariffs and Trade
IFC	International Finance Corporation
IPPC	International Plant Protection Convention
ISPM	International Standards of Phytosanitary Measures (ISPM)
LE	Local Expert
MFA	Ministry of Foreign Affairs
MOED	Ministry of Economic Development
MOT	Ministry of Taxes
MSE	Micro and Small Enterprises
PMPI	PMP indicator
SCPI	State Committee on Property Issues
SLCC	State Land and Cartography Committee
SME	Small and Medium Enterprises
SOW	Scope of Work
SPS	Sanitary and Phytosanitary Measures
STTA	Short-term Technical Assistance
TBT	Technical Barriers to Trade
TRIPS	Trade related Intellectual Property Rights
US	United States
USAID	United States Agency for International Development
USTR	United States Trade Representative
WTO	World Trade Organization

TABLE OF CONTENTS

Project Overview	7
Project Activities and Accomplishments in Year 3 Q1	8
Component 1: Domestic Business Environment Improved	8
Accomplishments Highlights in Year 3 Quarter 1 in Component 1	8
Activity 1.A: Build and Sustain the Case for Economic Reform in Azerbaijan	9
Activity 1.B: Facilitate Changes to Business-Related Laws, Regulations, and Administrative Procedures so as to Improve the Business Climate, Particularly in the Non-Oil Sectors	9
Sub-Activity 1.B.1: Tax Reform	9
Sub-Activity 1.B.2: Property Law Reform	9
Sub-Activity 1.B.3: Commercial Law Reform	10
Sub-Activity 1.B.4: Administrative Barriers Reduction	12
Activity 1.C: Enhance the Capacity within the Central Bank to Maintain Stability within the Financial Sector	12
Sub-Activity 1.C.1: Central Bank Assistance	12
Sub-Activity 1.C.2: Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)	13
Issues/Constraints.....	14
Project Activities Planned for Q2 FY2013	14
Component 2: Liberalized, More Transparent Trade Environment Developed	16
Accomplishments Highlights in Year 3 Quarter 1 in Component 2	16
Activity 2.A: Support to GOAJ in Improving the Trade Environment	16
Sub-activity 2.A.1 Trade Environment Legal Reform	16
Sub-activity 2.A.2 Trade Environment Institutional Reform:.....	17
Activity 2.B: Support to GOAJ on Procedures and Mechanics of WTO Accession	18
Sub activity 2.B.1: WTO Accession.....	18
Issues/Constraints.....	19
Project Activities Planned for Q2 FY2013	19
Component 3: Targeted Agricultural Value Chains Improved	21
Accomplishments Highlights in Year 3 Quarter 1 in Component 3	21
Activity 3.A: Identify Subsector that Exhibit Potential for Competitive Growth.....	22
Activity 3.B: Improved Competitiveness of Targeted Sub-Sectors	23
Sub-Activity 3.B.1: Direct Value Chain Assistance	23

Horticulture (Pomegranates, Apples, Hazelnuts)	23
Dairy	27
Business Development Service Providers capacity development	28
Association Formation	28
Cold Chain Development	29
Food Safety and HACCP Compliance	32
Activity 3.C: Improve and Expand Knowledge of Agricultural Best Practices	33
Sub-Activity 3.C.1: Education/Extension.....	33
Horticulture.....	35
Dairy	39
Aquaculture	40
Sub-Activity 3.C.2: Demonstration Farms.....	41
Activity 3.D: Improve Access to Finance for SME's and Farms, particularly in Rural Areas	42
Sub-Activity 3.D.1: Agricultural/Rural Lending and Leasing	42
Demir Bank	43
Azercredit VF.....	43
AG Bank.....	44
Turan Bank	44
ARPA	44
Other activities.....	45
Issues/Constraints.....	45
Project Activities Planned for Q2 FY2013	45
Coordination with other Donor Projects	47
Cross Cutting Activities	48
Monitoring and Evaluation	48
Financial Reporting	52
Communications and Outreach	53
Fixed Price Contracts	55
Annex 1A – Legislative Tracking: Domestic Business Enabling Environment as of December 2012	56
Annex 1B – Legislative Tracking: Trade Environment as of December 2012.....	58
Annex 2 – Capacity Building.....	63

Project Overview

Sibley International is pleased to present the Azerbaijan Competitiveness and Trade Project Year 3 Quarter 1 Report in accordance with contract number AID-EEM-I-00-07-00003, task order number AID-112-TO-10-00002. This report covers quarterly reporting for year 3 and describes project activities completed during Q1 – October 1 – December 31, 2012.

The ACT Project began operations in October 2010. It aims to improve the domestic business enabling environment; develop a liberalized, more transparent trade environment; and improve targeted value chains in the agriculture sector of Azerbaijan.

Formally, the project is divided into the three abovementioned interconnected and interdependent components. In addition, there are several cross-cutting technical areas that support all three components. These include the development of a public-private dialog to support discussions between the private and public sector to improve understanding of changes; overall monitoring and evaluation to ensure the project objectives are met; and development of partner organizations in building local institutional capacity including business development service providers and economic and trade related think tanks, to the extent possible.

The project works towards achieving the following as defined in the revised SOW¹:

- Build and Sustain the Case for Economic Reform in Azerbaijan.
- Facilitate Changes to Business-Related Laws, Regulations, and Administrative Procedures so as to improve the business climate, particularly in the non-oil sector.
- Enhance the capacity within the Central Bank of Azerbaijan to maintain stability within the financial sector of Azerbaijan
- Support to GOAJ on WTO Accession to achieve legislative and regulatory compliance.
- Support to GOAJ on Procedures and Mechanics of WTO Accession.
- Identify sub-sectors that exhibit potential for competitive growth.
- Improve competitiveness of targeted sub-sectors.
- Improve and expand knowledge of agricultural best practices.
- Improved access to finance for SMEs and farms, particularly in rural areas.

¹ The original project SOW was officially revised with modification number 3 in May 2012.

Project Activities and Accomplishments in Year 3 Q1

Component 1: Domestic Business Environment Improved

Accomplishments Highlights in Year 3 Quarter 1 in Component 1

After a substantial period of consultation the amendments to the Tax Code were passed by the Milli Majlis and signed by President Aliyev. The amendments included several business-friendly provisions advocated by the project and its partners.

In other areas the project moved steadily closer to success. Two committees of the Milli Majlis have agreed to form a working group on the draft Competition Code, an approach long advocated by the project. The Ministry of Communications and Information Technology has been working very closely with the project to get the legislation identified in the e-commerce package (initially developed by the project) into sufficient shape for submission to the President's Office and thereafter to the Milli Majlis. Finally, an order on inspection checklists (which had been developed with substantial project input) is now awaiting signature on the desk of the chairman of the State Veterinary Service.

To attempt to establish high level buy-in for its agenda, the project submitted changes to a circulation draft to the President's 2020 Statement, both indirectly, through AmCham, and directly by submitting to the Office of the President. At the end of the quarter, the final version was published. It incorporated several changes that the project had suggested.

With regard to technical assistance to the Central Bank (CBA), the project and the Bank have nearly completed the data collection necessary for building cost models under the activity based management system and the Bank has procured the necessary software. Work on risk-based bank supervision has slowed, awaiting formal approval of the methodology by the Board.

Work with the Financial Monitoring Service (FMS) was substantial at the beginning of the quarter with the launch of an e-learning system that the project had helped develop and the sponsorship of an FMS attorney to undertake anti-money laundering training and certification in the United States. During the quarter, substantial numbers of individuals began enrolling in the e-learning system.

At the end of the quarter the CBA was finalizing a counterproposal to the list of proposed activities that the project had sent earlier.

Activity 1.A: Build and Sustain the Case for Economic Reform in Azerbaijan

As agreed with USAID, Activity 1.A was phased out as a stand-alone activity.

Activity 1.B: Facilitate Changes to Business-Related Laws, Regulations, and Administrative Procedures so as to Improve the Business Climate, Particularly in the Non-Oil Sectors

This portion of the report describes sub-activities of the project as delineated by the work plan.

Sub-Activity 1.B.1: Tax Reform

At the end of Q1, the Milli Majlis approved a set of amendments to the Tax Code. These amendments came as the result of negotiations and dialogue that can be traced back to early 2011 when the project provided an economist as one of the speakers at a tax conference that AmCham had organized.

The amendments introduce several business friendly changes to the tax regime that the project advocated over the course of 2011 and 2012. For instance the upper tax rate for employees has been reduced from 30 to 25 percent. Further, this amount will be taxed only after the first 2,500 manats has been earned, rather than the first 2,000. With regard to VAT, the threshold for obligatory registration is now at a unified rate of 120,000 manats for both individuals and companies. This will likely bring more companies into the VAT system, a reform long advocated by the project.

Finally, with respect to VAT, companies appear to have an additional 30 days in which they can account for provision of goods and services which they have provided to clients but have not yet been paid for. Before the amendments companies would have to account for this income on the date of invoice. After the amendments, they now appear to have up to 30 days to do so. While it is not exactly what the project advocated, it is close.

On the property tax modeling effort, the project was able to come to a consensus with the Ministry of Finance on the approach to take and the expert that would be optimal for performing the required tasks.

Sub-Activity 1.B.2: Property Law Reform

In the property sphere it appears that various government agencies have taken up several of the recommendations offered in the property paper that the project previously circulated. For instance, in order to address ongoing technical problems with land data from the State Land and Cartography Committee (SLCC), the State Committee for Property Issues (SCPI) is attempting to

clarify land data using a combination of their own orthophotos and the data provided by the SLCC.

Further, the most recent draft on registration of rights in property reduces the number of property objects from 15 to 8 (a major recommendation in the paper). This, combined with some procedural reforms, will likely reduce the time necessary to register properties and speed the full build out of a comprehensive property cadastre.

Finally, the SCPI is beginning the process of building a land management system that would eventually allow for the sharing of geographical data by government agencies all working off of the same digital map. These issues, which were discussed at length in the property paper, will begin to be addressed in a pilot project in Sumgayit.

Sub-Activity 1.B.3: Commercial Law Reform

This sub-activity breaks down into several distinct areas. For details on the current status of all legislation supported in the component see Annex 1A.

Competition Code Dialogue

Early in Q1, the project, in cooperation with its CSO partner, organized an official hearing on the Draft Competition Code at the Milli Majlis. There the project was able to advocate its position on the Draft Code, along with other CSOs, donors, and government officials. The comments made to the members of the Milli Majlis as well as their responses thereto indicated that some progress had been made in raising awareness of the need for a progressive law.

Building on this, the project published two articles on competition policy. One of them, “Destiny of the Monopolists” (about the main gaps in the official draft Competition Code) made the cover of the local Economist magazine. Another more academic article, “The Antimonopoly Legislation of the Republic of Azerbaijan: Current Situation and Perspectives” was published in the law journal “Qanun”.

By the end of the quarter, the heads of the two responsible Milli Majlis committees agreed to form a working group, which would include a representative from the project, to develop the changes necessary to make the law more effective and progressive.

These activities are captured under PMPIs 1-2.1 (Direct Exposures of Public Education Advocacy) and 1-2.2 (Indirect Exposures of Public Advocacy).

E-Commerce Legislative Package

During the quarter, the project worked with the Ministry of Communications and Information Technology and other ministries in circulating the proposed legislation on e-commerce and coordinating responses to comments that various agencies had submitted. By the end of Q1 most

of the comments had been addressed with the remaining task being the final circulation of individual pieces of legislation that make up the package.

At the same time, the project worked with the State Procurement Agency responding to their request to bring out more comprehensive draft changes to the law “On Public Procurement”.

Secured Transactions Law Promotion

The project hosted a joint conference with the International Finance Corporation (IFC) on legal reforms in secured transactions, approximately a year after a previous one. In the latest conference the number of participants was higher and guests demonstrated far greater understanding and appreciation of the proposed reform. The conference generated a substantial amount of discussion in the press.

By the end of the quarter the project was assisting the Central Bank having discussions on approach with a regional expert on the topic.

Other: Azerbaijan 2020

The project submitted a detailed set of proposed amendments to the Azerbaijan 2020 document to the President’s Office directly. The project also contributed substantially to AmCham’s submission to the President’s Office.

Just at the end of the quarter, the government issued the revised 2020 statement. The President’s Office was apparently open to several of the recommendations that the project submitted. The final version of the 2020 statement included the following points that the project had recommended:

- On more effective judicial measures to protect investors.
- On the need to conduct reforms required for WTO accession in order to join it and helping Azerbaijani exporters compete in foreign markets.
- On greater competition in the leasing sector.
- On incorporating international best practices into state measures for supporting agriculture.
- On a business environment that encourages greater private lending in the agricultural sector.
- On the need to increase worker capacity and productivity in the agricultural sector.
- On the need to prioritize infrastructure projects by reference to economic effectiveness, in particular through cost-benefit analysis.

Sub-Activity 1.B.4: Administrative Barriers Reduction

This sub-activity initially encompassed work on business start-up, leasing of land, food safety inspections, and the adoption of regulatory impact analysis methodologies. The activities of leasing of land and the adoption of regulatory impact analysis have been dropped as a result of lack of prioritization of these issues by government counterparts and agreement with USAID.

The project established a partnership with a consortium of a private company and a CSO on business start-up constraints in the olive growing and fish processing sectors. The recommendations flowing from the study conducted by the CSO have been approved and the consultations on them will begin in Q2.

Further, on the basis of the portion of the study focusing on aquaculture, the project has developed a guide to starting an aquaculture business, which will be annexed in the latest edition of the aquaculture manual that the project is reprinting.

With respect to food safety, the State Veterinary Service's inspection checklist order (which was developed with substantial input from the project) has been finalized and is awaiting the signature of the chairman. The staff of the State Phytosanitary Service also finalized an inspection checklist (with substantial input from the project), though it has not yet presented to the chairman of that organization.

Activity 1.C: Enhance the Capacity within the Central Bank to Maintain Stability within the Financial Sector

This activity includes work with the CBA proper and with the FMS, which is under the CBA but has separate offices and a more specialized mission. Note that even though the work here represents substantial effort with these institutions, activities here will not be measured by incremental change in PMPI 1-2.3 as these two institutions have already been counted as "strengthened" in Y1.

Sub-Activity 1.C.1: Central Bank Assistance

The project continued to move forward with the work necessary to introduce activity based management (ABM) across the Bank. By the end of the quarter, over 80% of the raw data necessary for populating the system had been collected. However, the CBA chose the Oracle software package rather than the SAS software recommended by the project expert which will require a little more time than originally estimated to build the necessary cost models during the second phase of the activity.

The Bank embraced the risk-based banking supervision methodology developed by the project in Y2 and began planning implementation of the methodology in Y3. The project offered three

banking expert candidates to support implementation of the methodology, two of which the Bank agreed to interview. As the quarter ended, one was interviewed by the Bank and the other was to occur very early in Q2.

With the Euro-crisis continuing on, it has become more and more apparent the macro concerns are a crucial aspect of the health of the banking sector. Recognizing this, the project began planning with the Bank and USAID funded Partners for Financial Stability a regional “macroprudential workshop” to be hosted by the Bank tentatively scheduled for late February 2013.

The project also began discussing how it could support the work of the Center for Research and Development (CRD) within the Bank, in particular with its econometric models for forecasting inflation. By the end of the quarter, the project had reached a general agreement with the CRD with respect to two discrete projects with two US economics professors, one to occur in later winter early/spring of 2013 and the other to occur a few months thereafter.

Sub-Activity 1.C.2: Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT)

Training and Outreach

Early in Q2, the project sent an attorney from the FMS to the United States to take the certification course and test sponsored by the Association of Certified Anti-Money Laundering Specialists. The attorney passed the test with a score well above the minimum to do so.

Development of an E-Learning System and Publication of Legal Text on AML and CFT Issues

In Y2 the project helped the FMS develop an e-learning system for bank compliance officers and the public. At the beginning of Y3 the project assisted the FMS in launching and presenting this system to the public, namely at an event held at a local hotel and attended by representatives from all of the banks. The event demonstrated the capabilities of the e-learning system and encouraged banks to get their people certified by the system as soon as possible.

The event was also used to promote a law book on combatting anti-money laundering, one of the first of its kind in Azerbaijani language. The book was written by the assistant director of the FMS, with layout and publication costs (200 copies) covered by USAID.

By the end of the quarter 180 people had enrolled in the e-learning system (representing all 44 active banks). Fifteen users have been very active recently and five people have already completed the course. This latter statistic is being tracked by the project’s PMP.

Issues/Constraints

The biggest constraint affecting activities in Component 1 continues to be the lack of political will and a consensus by the highest level of government on reforms that need to take place to improve the business enabling environment². While trade environment reform has been clearly defined through two legislative agendas (issued by the President's office), there is no such "roadmap" for business related reforms. Support has been provided by technical levels within the various ministries and continues to be the way forward to push for change from within the government agencies. Greater higher level access would of course further facilitate this process.

Project Activities Planned for Q2 FY2013

Commercial Law Reform

- Begin work on property tax modeling initially to frame the model and clearly define the data necessary to make the model workable and relevant.
- Submit comments to the SCPI on the draft law on a unified cadastre and amendments to the law on state registration of property.
- Participate in the working group on the Competition Code, in the Milli Majlis.
- Participate in a planned promotional event (TV show) on the competition law in Ganja.
- Participate and/or encourage other promotional activities on improvement of competition and business environment.
- Ensure that the amendments to various legislation under the E-commerce package are submitted to the President's Office after completion of review at the Cabinet of Ministers.
- Make progress on the secured transaction legislation and submit a package of amendments to the Central Bank.
- Hold a roundtable event with various think tank leaders on the secured transactions law.
- Finish perfecting the Azerbaijani version of the Convention on International Sales of Goods and submit it to the MOED.
- Submit recommendations on the draft agricultural law.

Reduction of Administrative Barriers

- Ensure that the chairman of the State Veterinary Service signs the inspection checklist order.

² The project's efforts to contribute suggestions to the 2020 Statement is an example of efforts to address this constraint.

- Get a signature-ready version of an inspection checklist order on the desk of the chairman of the State Phytosanitary Service.
- Develop a draft risk identification and assessment regulation for review by the State Veterinary Service.
- Sponsor a TV show emphasizing the importance of adoption of the food safety strategy.
- Develop a strategy paper for advocating the reforms recommended as a result of the business start-up study and begin implementation.
- Finalize educational materials out of the findings of the business startup study.
- Begin holding events promoting awareness of the educational materials on business startup.

Support to the Central Bank of Azerbaijan

- Support the Central Bank in holding a regional workshop on macroprudential supervision tentatively scheduled for the end of February.
- Finish collecting data necessary to establish an ABM system and begin building cost models.
- Support the CBA to begin implementation of the methodology for risk-based bank supervision.
- Assist and train CRD staff on econometric modeling.

Component 2: Liberalized, More Transparent Trade Environment Developed

During this quarter, the project made significant progress toward advancing the WTO accession process. A successful working party meeting and a bilateral round of negotiations on services and goods market access were held. Negotiations intensified with the US, EU, Japan, Brazil, Canada and Norway, resolving many contentious points. Progress was made with respect to improving the trade environment: consent for the law on technical regulations was provided by all concerned ministries; three draft laws were submitted to the Cabinet of Ministers (draft law on Accreditation, draft amendments to the Law on Standardization, draft law on Foreign Trade); the draft law on Accreditation is now ready for submission to the President's Office; the draft law on Trade Remedies has been revised with further improvements; and cooperation was launched with the Public Procurement Agency on e-procurement and other institutional aspects.

Accomplishments Highlights in Year 3 Quarter 1 in Component 2

During this quarter, legislative progress was made in a few areas for improving the trade environment and improving compliance with the WTO agreements.

Activity 2.A: Support to GOAJ in Improving the Trade Environment

Sub-activity 2.A.1 Trade Environment Legal Reform

The local team of lawyers continued monitoring the legislative process (22 drafts) for bringing the legal framework in line with best practices and the WTO agreements covering a wide array of areas including intellectual property, food safety, animal and plant life health, customs, trade remedies, licensing, foreign trade policy, standardization and accreditation, and technical regulations. The updated chart of legislative progress is provided in Annex 1B.

Where required, the team provided technical reviews, support, and advice to advance the process. In some instances, support was sought from international experts. The following were the most significant activities performed by the team to advance legal reform for improving the trade environment:

1. Worked closely with the Cabinet of Ministers to improve understanding of the draft law on Technical Regulations. The draft has been agreed by all relevant ministries and is ready for submission to the President's Office.
2. Discussed the draft law on Accreditation with the Cabinet of Ministers. The draft has been agreed by all relevant ministries and is ready for submission to the President's Office.

3. Completed work with the State Committee on Standardization, Metrology and Patents on finalizing the draft amendments to the Law on Standards. The draft has been submitted to the Cabinet of Ministers.
4. Worked with the Ministry of Economic Development on a major revision to the law on Trade Remedies (Anti-Dumping, Countervailing, and Safeguards). The draft has been submitted to the Ministry of Justice.
5. Assisted the Public Procurement Agency in developing draft amendments to the law on Public Procurement concerning e-procurement.
6. Launched assistance to the Ministry of Telecommunication and Information Technologies on drafting amendments to the Law on Telecommunications on the basis of WTO principles and in reviewing draft amendments for EU approximation.
7. Assisted the Ministry of Health in incorporating amendments to the Law on Food products prepared by the EU and ACT. Assisted the State Sanitary-Epidemiological Service of the Ministry of Health in preparing the table of justifications in connection with comments from relevant governmental bodies (MOED, Ministry of Justice, Ministry of Agriculture, Standardization State Committee).
8. The draft law on Foreign Trade Activities was submitted to the Cabinet of Ministers in December 2012.

The team continued promoting the advancement of the legislative process for relevant legislation. Meetings were held in this respect with the Ministry of Justice, the Ministry of Economic Development, the Ministry of Foreign Affairs, Ministry of Public Health, and State Committee on Standards, Metrology, and Patents as well as the Presidential Administration and the Cabinet of Ministers.

Sub-activity 2.A.2 Trade Environment Institutional Reform:

The project provided limited assistance this quarter with respect to institutional reforms. Activities related to IPPC and Codex harmonization were shifted to next quarter. Workplan activities related to food laboratories complying with ISO 17025 were cancelled. Also, all activities related to customs institutional reforms were cancelled. Activities related to a system for development of technical regulations in line with WTO were put on hold.

ACT improved understanding of the Public Procurement Agency about modern e-procurement system through provision of training and discussions.

The project, however, reached agreement to provide institutional support to the following two state bodies.

1. Copyright agency on building capacity to implement the recently adopted law on Anti-piracy; improving understanding of digital media management; and understanding experience of other countries in administering intellectual property legislation.

2. Public Procurement Agency to assist in the development of a public procurement system including:
 - Developing guidelines for estimation of the cost of procurement contracts;
 - Providing the service of registry of public procurement agreements/contracts; and
 - Improving the mechanism for consideration of complaints from bidders.

Activity 2.B: Support to GOAJ on Procedures and Mechanics of WTO Accession

Sub activity 2.B.1: WTO Accession

- Azerbaijan successfully held its Tenth Working Party (WP) meeting on December 7, 2012. Over 25 Members participated in this meeting. Members reported satisfaction with progress made. The Chairperson indicated the wishes of WTO Members to consider Azerbaijan's accession in 2013 as a priority. He suggested that Azerbaijan and its trading partners meet more often in the coming months to build on recent progress made with regard to bilateral negotiations and reach closure. He was further pleased that plurilateral discussions on domestic support were practical and useful. He commended positive improvements in all accession documents.
- Bilateral negotiations on goods and services market access were held with the US, EU, Japan, Brazil, Canada and Norway. The bilateral protocol with the Kyrgyz Republic was signed and negotiations with China were concluded. Azerbaijan indicated during the WP meeting its willingness to sustain a proactive dialogue with Members in capitals and Geneva as well as through DVCs.
- ACT participated as an observer in the WP meeting and reported on proceedings. Recommendations were developed for next steps to enable the next working party meeting and conclude bilateral negotiations.
- During FY 2012 Q3 and Q4, ACT supported preparations for the Tenth Working Party meeting and bilateral round of negotiations. This continued during the first quarter of FY 2013 where ACT assisted in reviewing certain aspects of the factual summary. In addition, Azerbaijan agreed to include in the Draft Factual Summary over half of the proposed commitments as recommended in the table prepared by ACT. Further, the project assisted in translating a number of documents in support of the WP meeting and provided a simultaneous interpreter for the WP meeting in Geneva.
- ACT continued support to further improve the goods and services offers. A key achievement was the reduction of the agricultural sensitive goods and full adherence to the sectoral agreements. The bilateral meetings in December 2012 were held on the basis of these revised offers. ACT, in addition, facilitated a DVC between USTR and Azerbaijan which helped pave the way for successful bilateral negotiations in Geneva.

- ACT's assistance in shaping the ACC4 – Domestic Support Table and in building the capacity of the Ministry of Agriculture and improving understanding of plurilateral negotiations has led for the first time to a very successful round of plurilateral negotiations.

Events:

- Provided an interview to Public TV on Combatting Piracy and arranged counterparts' interviews.

Issues/Constraints

Steady progress continues to be made on advancing the WTO bilateral negotiations process. However, the legal reform process continues lag behind. This hinders progress for the project in achieving adoption of reforms and moving legislation through the process as initially planned. Without a significant change in political will, this will continue to be the case.

Project Activities Planned for Q2 FY2013

Legal reforms:

- Continue support to all draft legislation with focus on the following main priorities: draft law on Technical Regulations, draft law on Accreditation, draft law on Foreign Trade activities, draft law on Trade Remedies, draft law on Customs Tariff, draft amendment to the Law on Food Products, and draft amendments to Decree 782.
- Assist in further development for regulations related to intellectual property, technical regulations, and the Trade Remedies Law.

Institutional development:

- Build capacity of Copyright Office on administering IP related laws.
- Provide assistance to the Public Procurement Agency.

International standards:

- Resume activities to assist in harmonizing with Codex Alimentarius (Maximum Residue Limits (MRLs) for Veterinary Drugs in Food - CAC/MRL 2).
- Resume activities to assist in harmonizing with the International Plant Protection Convention (ISPM 7 (1997) Export Certification System; and ISPM 12 (2001) Guidelines for Phytosanitary Certificates).

WTO Accession process:

- Assist in preparation of the next working party meeting including replies to questions.
- Assist in updating the legislative action plan.
- Promote further liberalization toward improving revised offers on goods and services.
- Provide additional support for plurilateral agricultural negotiations.

- Conduct WTO events.
- Update any needed conformity charts.

Component 3: Targeted Agricultural Value Chains Improved

Accomplishments Highlights in Year 3 Quarter 1 in Component 3

In Q1 Year 3 Component 3 made significant progress in furthering the work in the area of value chain development, farmer training and the establishment of demonstration plots. The implementing BDS partners and local experts continued farmer training throughout the quarter. The early results have been impressive with 4,507 farmers trained in improved farming techniques in all value chains. Along with the farmer training, staff continued to improve the farmer training program by producing and distributing additional manuals, brochures and pamphlets. ACT technical staff ensured regular support to the local trainers holding train the trainer sessions building the technical capacity of the field local experts. Excellent progress has been made in the Artificial Insemination (AI) area as the Project with the help of an international AI expert held technical training for local AI technicians and farmers.

On the demonstration plots, the ACT project made great progress towards identifying beneficiaries and establishing the actual sites. To summarize, to date sixteen calf hutches have been established and handed over for operation by four dairy farms in Barda, Agjabedi, Beylagan and Lankaran. Construction of the carp hatchery in Neftchala has been completed including the construction of the physical building and installation of all the necessary equipment and pipelining. As the incubation season approaches in late spring, the hatchery will be fully operational, servicing the industry with millions of fingerlings. The hazelnut demonstration plot in Zagatala is in place with trees growing and new equipment has been purchased by GIZ and handed over to the beneficiary. This effort is a joint collaboration among USAID, GIZ, Ferrero, and Azerstar (the beneficiary). Although the apple demonstration plots in the Northern regions got off to a slower start, progress has been made in all locations bringing the number of the apple demonstrations to five. Thus, ACT supported the establishment of two GAP demonstration orchards in Shabran and Guba, two intensive orchards in Khachmaz and Shabran and one nursery plot in the Guba region.

Value chain development above the farm gate level was led by value chain specialists and further supported by the implementing partners. BDS submitted their strategic work plans for Year 3 activities. These activities consist of several major concentrations such as technical assistance to the beneficiary processing companies with sourcing for equipment, establishing linkages with farmers/suppliers of the raw material, providing information on current international food industry standards, and helping with marketing and sales efforts. The project visited many new cold storage companies, holding large regional workshops bringing the best international practices to the local companies and providing hands-on technical assistance to demonstrate the functionality and maintenance of new technologies.

Tremendous progress has been made in the association development area. Highlights of assistance in this area included activities with the existing Northwest Aquaculture Association in building the capacity of the key members and training them in association management techniques, which resulted in the organization of the general assembly, members from four regions working together, and payment of the first membership dues. The project also identified eight entrepreneurs ready to form the hazelnut processors' association in Zagatala and hundreds of pomegranate farmers in the Central regions interested in working together. Development and formation of associations will be a prominent activity in Q2.

Food safety activities continued, with progress being made in all six client companies in the HACCP program and the identification of two new possible participating companies (both cold storages) this quarter. To date, all participating companies have completed over 90% of the HACCP implementation process.

During this quarter, the ACT project continued to work with three commercial banks (Demir Bank, Turan Bank and AG Bank) and a non-banking financial institution (AzerCredit) in the implementation of new ag-lending tools. Additionally, Bank Respublika joined the group of banking and non-banking financial institutions assisted by the Project. The MoU was signed on December 6, 2012. The Bank's main objective in joining the Project is to implement a new agriculture loan product to be applied countrywide.

The Management of other partner banks where ACT executes the pilot projects confirmed their interest in continuing with the Project and in expanding the ag-lending approach to the rest of their bank branches adopting the new agriculture loan product. The pilot tests were considered very successful and the branch managers expressed their satisfaction with the approach and its contribution to simplifying the loan application process and improving client outreach.

Activity 3.A: Identify Subsector that Exhibit Potential for Competitive Growth

Activities in this area were carried out in the first year to assist in formulating project activities, and were completed in Y1Q2. At this time, no explicit activities are planned for the current and future quarters, as the project enters its last year of operation. However, the project will remain open to new opportunities in sectors not yet covered and will continue to identify and ameliorate weak links in the value chains.

Activity 3.B: Improved Competitiveness of Targeted Sub-Sectors

Sub-Activity 3.B.1: Direct Value Chain Assistance

This activity focuses on developing the value chains above the farm gate level, and is targeted at processors, service providers, associative groups, storage, transportation, sales, marketing and establishment of B2B relationships, and any other element in the value chain except the farmer. The specific activities include providing direct technical assistance to companies in processing and cold storage, capacity building of project BDS partners, cold chain services development, food safety and certification activities, and association development. These activities support indicator 3.2 from the ACT project PMP, which is the number of firms receiving USG supported assistance.

Key accomplishments by value chain, and/or sub-activity are as follows:

Horticulture (Pomegranates, Apples, Hazelnuts)

Pomegranates

During Q1, the ACT project assisted the Sabirabad Conserve through its central BDS partner ARAZ Business Center. This pomegranate processing company based in the Sabirabad region began to source raw materials from regional farmers. As a result of the linkage 135 farmers have supplied the processor with over 300 tons of pomegranates. Farmers prefer to sell their premium product directly to the market and/or distributors. When farmers are finished selling their premium product, they are left with second and third grade pomegranates which are still of good quality but perhaps of inferior marketability for fresh purchase. Several large and medium processors usually compete with each other to procure these pomegranates from farmers to fill their production capacity needs. Sabirabad Conserve made a decision to procure better quality product and offer a 10% higher price than the competition. This resulted in higher output from Sabirabad Conserve. Sabirabad Conserve contributed to 75,000 AZN additional income earned by farmers based on this new linkage.

Sabirabad Conserve is currently exporting pomegranate concentrate to Russian and Ukrainian markets. The buyers expect to purchase the concentrate in aseptic bags. In order to increase their export volumes Sabirabad Conserve requested that the ACT project help them identify a source for new suppliers of the aseptic bags. Having researched the market, the processor was linked to the local representative of Goglio FRESCO company, resulting in a purchase of 2000 aseptic bags worth 18,000 AZN. The volume of each aseptic bag is 220 liters. Sabirabad Conserve will supply its customers with additional aseptic bags during the coming 10 months and the forecasted amount of sales generated from 2000 aseptic bags approximates 1,600,000 AZN.

The Sabirabad Conserve company also made an investment in its equipment over the quarter by upgrading its boiling facility spending 40,000 AZN for new Turkish boilers. Aznar processing company purchased a decanter; this equipment serves the purpose of improving the filtration of

the pomegranate juice. The new equipment was sourced from the US at a cost of 250,000 AZN. Generally due to the technical assistance, either service provider or equipment recommendations, provided by the ARAZ BDS partner and the staff, the pomegranate processors reported 325,500 AZN in investment during the last quarter.³

The Pomegranate Festival was first held in November 2006, for the purpose of developing the pomegranate sector, increasing the productivity of pomegranate orchards, and expanding the sales network for pomegranates. This year, the USAID ACT project team attended the festival to give information about its activities and achievements in the pomegranate sub-sector as well as to disseminate training materials covering its five target products/sectors. The USAID/ACT-supported festival displayed training materials based on over 25 topics covering all the project sectors as well as over 100 kg of seven varieties of pomegranates produced by the farmers who had benefited from the ACT Project trainings, technical assistance and other recommendations. Over 2000 copies of training materials were handed out to attendees at the festival.

The representatives of media and TV companies were also present at the festival to give full press coverage to the event. Mass media representatives were interested in the display and information provided by the ACT project. In a TV interview for EL TV, Zaur Hajiyeu gave detailed information about ACT project activities, the services provided to the farmers and results achieved until now. The Director of ARAZ Business Center, Lutveli Zeynalli, also gave an interview to inform about the services provided by the project to pomegranate processors and other value chains aimed at building a strong presence of pomegranates in international markets and boosting their export.



Over 50 pomegranate varieties, including a first time Indian pomegranate variety were displayed at the festival. The festival also displayed over 20 other pomegranate products like pomegranate sauce, concentrates, compotes, jams, pomegranate seed oil etc.

³ Note these figures are based on information provided by project partners and not the official ACT processor survey. The survey is conducted annually.

Two farmers from Goychay talked about the good agricultural practices (GAPs) they had learned and the results they had achieved through a series of technical assistance provided by the project. They expressed their gratitude to the USAID ACT Project for the training and technical assistance provided by Zaur Hajiyeu, the Project pomegranate expert, because high-quality pomegranates displayed at the festival were the result of efforts made by the project team. Dozens of local participants and guests who attended the festival used the ACT-organized display to get information about pomegranates and showed a great interest in the training materials displayed by the project. They expressed their desire to benefit from the training and technical assistance provided by the project in the future to produce pomegranates as wonderful and healthy as the ones displayed.

The event was also attended by the head of the executive committee of Goychay region, a number of MPs, the Deputy Minister of Agriculture, the chairman of the committee of Milli Majlis on Agrarian Issues, the head of SSAC Maleyka Abbaszadeh, the UN Resident Coordinator, Extraordinary and Plenipotentiary Ambassadors of Kazakhstan, Russia, Iran, Moldova, Latvia, Norway, Japan, Georgia, Pakistan, Romania, Uzbekistan, Korea, Jordan, Cuba, Turkey and other countries in Azerbaijan, the representatives of the international organizations, social and political figures, singers and businessmen.

On November 11, 2012, the ACT Project Pomegranate Expert Zaur Hajiyeu appeared live on Yevlakh TV for the second time to talk about the possibilities of developing the pomegranate sub-sector. Initially, he gave detailed information about the pomegranate festival held in November and the displays organized by the ACT Project. He also talked about the changes occurring in this sector and the services provided by the project for pomegranate growers. As the TV show was live he received a number of calls from the people who wanted to benefit from his recommendations on GAPs and asked him to visit their orchards. The expert also stated that if the pomegranate orchards receive better care, that is, if they are pruned, fertilized and irrigated properly the farmers will be able to produce much higher quality pomegranates and increase the yields at least by 40%. The TV show also included the interviews taken from the pomegranate experts and farmers during the Pomegranate Festival.

Hazelnuts

During the months of October – December hazelnut farmers began preparation for the next production season. This implies application of agro-technical measures such as pruning (shaping the trees), fertilizing and plowing the soil around the trees. Several farmers started the establishment of new orchards. In order to perform these activities more efficiently, farmers experienced the need for agricultural inputs and equipment. Thus, during these month farmers were instructed in the necessity and proper usage of tools and fertilizers. The regional BDS identified the relevant input suppliers and established multiple linkages with farmers. Thus, as a result of these activities six farmers purchased different agricultural inputs such as pruning saws

and shears and other pruning means. Two farmers acquired 200 kg fertilizers, potassium and phosphorus; and several farmers purchased rakes used for cleaning of orchards and tools for mowing of grass.

As a result of technical recommendations provided to Azerstar LLC, the company purchased new blanching and roasting equipment. Azerstar is planning to start a product new line – roasted hazelnuts packed in 5, 10 and 20 kg bags. This will diversify Azerstar's market and grant new opportunities to export value-added product. Also Azerstar purchased a new tractor to use at the hazelnut orchards. The overall investment by this company constituted 327,000 AZN.

Reaching international standards for hazelnut kernel exporters remains a challenge to overcome as some containers shipped to the EU were rejected due to identification of Aflatoxin and other prohibited chemical content. The project conducted several trainings concerning the standards with two processing enterprises and provided technical assistance on the example of Turkish standards TS 3075.

During the technical consultations TS 3075 standards were given to the processing enterprises and they were provided with technical assistance on the following topics:

- Purpose and advantages of the standards application;
- Calibration of hazelnut kernels;
- Damaged and infected hazelnut kernels and permissible limits according to the standards;
- Physiological changes occurring in hazelnut kernels;
- Separation of hazelnut kernels into groups and classes;
- Quality of hazelnut kernels and their tolerance sizes;
- Sampling from the lots of hazelnut kernels and rules of inspection;
- Packaging and labeling of hazelnut kernels; and
- Storage and transportation of hazelnut kernels.

The information provided will create an opportunity for the processing enterprises based on those standards to start the application of the standards in their activities and thus improve the quality of product.

In November 2012, 12 farmers were trained on access to financial sources and financial organizations operating in the region and their loan packages. Based on the detailed list of financial institutions and terms developed, farmers were provided with information about banks and credit organizations operating in the region, their locations, loan packages, and loan interests, requirements and documentation necessary for receiving credit from separate financial organizations. The farmers trained were from three different villages: Goyam, Dardogaz and Sumayli. Because the training participants were from different villages, it will create an opportunity for distributing information about credit to a larger number of farmers, as the

training participants may distribute the obtained information among other farmers operating in their villages.

Apples

The ACT project concentrated its efforts on the cold chain sector in the apple growing region around Guba. The project investigated reports of technical and market constraints in the sector, and conducted an in depth survey of six cold storage producers. The project shared its findings with USAID, MOED, and GIZ, who all have an interest in the cold storage sector's success. See more details below under the section on cold storage.

Dairy

The dairy industry being spread across the county over tens of thousands of farmer families with an average of fewer than five cows, represents a fragmented chain of dysfunctional links. The limitations at the farm level such as inbreeding depression, extremely low milk yields, insufficiency of the quality of compound feed, and lack of planned fodder production are reflected in the processing industry, which struggles due to lack of consistent quantity and quality raw material with which to work. Realizing the negative impact on especially small dairy processing facilities during the past quarter ACT technical staff focused on assisting small-scale dairies. The areas of most needed interventions were introduction of necessary sanitation and hygiene standards and assistance for small-scale equipment purchase. Thus, five small producers, in the Barda and Agjabedi regions received technical assistance to improve sanitation and hygiene rules in their domestic milk and cheese production. Currently, each of them produces 300 – 500 kg of cheese and sells in the domestic market. The technical assistance will be continued also in the future aiming to enhance the quantity and quality of the products.

Below are some results from the value chain activities in the dairy sector:

- Assistance with sourcing and purchasing of a feed grinder for a small-scale feed producer in the Barda region was provided to an entrepreneur, Latif Islamov, who has invested over 1000 AZN for purchase of the Turkish made production equipment with daily production capacity of 1.5 tons. Currently, the equipment is used to produce different feedstuff and supplied to nearby farmers.
- A small dairy processing shop in Barda received assistance with selection and purchasing of cheese processing tubs.
- The project helped two farmers from the Beylagan region to purchase high-quality and affordable clover bale. As a result 600 units of clover bales with a total price of 1200 AZN were purchased by farmers and they are being used to increase feed base for their cattle.
- Access to finance was a significant barrier to growth, and both implementing partners had great successes in this area. In particular, AgroTech assisted two dairy farmers in obtaining loans totaling 9000 AZN from Ashigly Credit Union. These finances were used as

investment to purchase additional heads of cattle. Both BDS engaged in the dairy sector performed access to finance training involving specialists from various financial institutions such as Standard Bank, Bank of Respublika and Agro-Kredit.

In Q1 implementing partners in the dairy sector continued providing business and management development services to dairy farmers and small processors. Using the detailed list developed in the second year they successfully linked input suppliers with farmers, assisted farmers to receive loans from banks and financial organizations, and developed strategic, business and marketing plans. Several examples of the business services provided are listed below:

- A business plan was developed for Abdullayev Sayyar, owner of Marso-Community LLC in Lankaran to promote his business and submit to the National Fund for Entrepreneurship Development. The project's goal was to get a privileged loan from the Fund for the purchase of 100 heads of cattle. Development of other documents requested by the Fund is also underway.
- The sales prices of the main feed and milk were surveyed every 10 days in both regions and the obtained information was entered into a database for communication to interested farmers and processors.

The total investment and sales in the dairy sector attributable to ACT activities constituted to 14,750 AZN of investment and 331,832 AZN of sales in the quarter.⁴

Business Development Service Providers capacity development

In October 2012 ACT organized the second BDS and Local Experts (LE) workshop held in Gabala. The two-day workshop was aimed at presenting the corporate achievements reached so far, review of reporting practices and training in various useful activities such as improving presentation skills to over 25 ACT extension staff and regional partners. Participants were trained in the basics of HACCP principles and other certification standards in the food processing industry. The trainees participated in the presentation of mapping the process for starting and operating two illustrative businesses in aquaculture and olive production.

Association Formation

Throughout Year 1 and 2 the ACT project laid the groundwork for association formation and development. Having organized multiple meetings the project identified the farmer groups that were interested in forming associations for collaboration and lobbying purposes. The first interested groups were fish farmers in the northwest region, who received their registration at the end of 2011. ACT also identified several other groups which expressed the desire to have an active association, for example the hazelnut processors in the Northwest and pomegranate

⁴ Note these figures are based on information provided by project partners and not the official ACT processor survey. The survey is conducted annually.

farmers in the Central region. Measuring the volume of necessary involvement in association work, ACT identified Mr. Nick Hahn, an association development expert, who visited Azerbaijan with his first informational visit in December.

Several work sessions were held with key leadership of the aquaculture association during which the project performed due diligence on viability of the existing structure, developed an outline of work plan and milestones for the next 12 months, including operating strategy, milestones, staffing proposal, funding opportunities and attention to board of trustees. These steps are in the initial stages and require mentoring and advisory services over the next several months. During the same trip ACT staff and the consultant assisted the aquaculture association founders with the organization of the first large general assembly of the association. Over 50 people from the Zagatala, Gakh and Balakan regions participated, which resulted in 22 new applications and dues paid to join the association.

The team held several meetings with hazelnut farmers and processors in the Zagatala region. During these meetings, they discussed the possibility of forming an association of hazelnut processors. It was decided to focus on the formation of hazelnut processors' association due to their organizational capacity and clear goals set for the association. During the last meeting with hazelnut processors four people were selected as members of the steering committee and a total of 11 applications were filled out and submitted.

The project held two meetings in the Goychay and two meetings in the Sabirabad region with pomegranate farmers to provide detailed information about the advantage of the formation of the pomegranate association and its future role in development of the industry. The staff identified and met with elders from seven villages of Sabirabad (11 people total) who expressed their interest and willingness to become initiators of the pomegranate association in their areas. With 10 thousand pomegranate growers in Azerbaijan there is a great opportunity and potential for forming a pomegranate association.

During the regional visits key leaders from each target group were interviewed and evaluated. Currently ACT staff and the consultant are developing a curriculum to present a series of managerial capacity building sessions to the members of management board of these associations.

Cold Chain Development

Cold storage remains one of the vital areas of ACT involvement due to the vitality of this cross-cutting sector. Since the beginning of the program ACT has provided direct technical services to over 35 cold storage providers, which account for approximately 25% of total operational cold storage businesses. It is estimated there are currently 140 operating cold storage facilities in the country. Also, many estimate that the industry will continue to grow nearly 45% per year this and

next year, and for the foreseeable future, as long as current profit levels continue to be realized.

Among many professional services provided to the industry, the ACT project's experts routinely visit the beneficiary cold storages throughout the country, and offer effective, sustainable, business solutions to the owners' concerns. In most cases the project has been effective in helping to mitigate the biggest issues, and often to help the businesses become much more financially sound as a result of more effective controls of their businesses and the products they manage. The following list demonstrates some of the results in 2012 that the ACT project has helped deliver to the industry⁵ and estimated impact to operations:

- Product compatibility adoption - 10% increased profitability per MT
- Market review - 5% increased profitability per MT
- Efficient/food safe logistics - 5% increased profitability per MT
- Refrigerated transportation - 20% increased profitability per MT serviced
- Sorting/grading technology - 50% increased profitability per MT
- Modified atmosphere technology - 5% increased profitability per MT
- Hydro cooling/microbial controls - 10% increased profitability per MT
- Branding and marketing plans - 7% increased profitability per MT
- Quality process review and correction - 25% increased profitability per MT
- Eng./const. Review prior to construction - 3% increased profitability per MT

Due to the current support of over 20 beneficiary cold storages in the country, besides adopting technical recommendations, some cold storage managers purchased grading, sorting, calibrating and packaging equipment. Thus, companies such as Agroline, MIA Fruit and Bollug LLC purchased recommended equipment valued at around 450,000 AZN⁶.

Most cold storage facilities have been newly constructed or "reconstructed" within the past four years. In most cases the facility investors have no industry knowledge or professional education with a scientific basis that supports the cold chain industry. Also, the facilities were primarily built with the assistance of the MOED low interest loans, which also required the investor to utilize government approved designs and construction companies, instead of hiring designers and contractors on the open market. As a result, most facilities are of similar design, and show similar characteristics in both strengths and weaknesses.

To put this into perspective, from 2008-2011 the facilities generally looked and operated the same way, regardless of their function, the product, volume, value added processes, or other. In short, the cold storage facilities were designed by a central theme, rather than by the particular business needs. Connected with this problem is the reoccurring concern of a tremendous lack of

⁵ This information was obtained as a result of an ACT internal interim informal survey of the beneficiary cold storages.

⁶ Ibid.

experience and industrial professional knowledge available to manage the industry. These two enormous concerns then point to the obvious outcomes. It means that systemically flawed designs, processes, and outcomes are replicated consistently throughout the industry and throughout the country.

In the first quarter cold chain expert Patrick Hughes visited the country and held several industry wide training sessions and seminars aimed at providing the necessary technical knowledge to mitigate the results of poor design and lack of maintenance and repair skills. A Technology Equipped Cold Chain Management Workshop was held in the Guba and Sabirabad regions in Q1. The workshops were mainly attended by the managers and technical experts from over 15 cold storage companies operating in the Guba, Khachmaz and Gusar regions and six cold storages and seven pomegranate farmers operating in the Sabirabad, Hajigabul, Goychay, Salyan and Saatli regions. Presentation of SmartFresh technology by the commercial manager and the local representative from the Agrofresh company and other experts from Turkey made the workshops significantly more useful. The visitors gave a presentation on SmartFresh technology by providing the attendees with detailed information on the essence and advantages of this technology. This new technology plays a great role in extending the shelf life and maintaining the quality of the produce. Currently four cold storage operations are testing this technology for apples and persimmons.

At the workshop the project's expert talked about the management of technology equipped cold storages, a number of problems arising in cold chains as well as the rate of advancement in cold storage management and an efficient utilization of cold storage in Azerbaijan from 2010 to 2012. The consultant emphasized the importance of maintaining the quality of produce in cold rooms and other important factors like sorting, grading, washing, packaging, etc., which add value to the stored produce. Some cold storage practitioners in the Guba-Khachmaz region had already started to apply best storage practices to add value to their produce and the training and technical assistance provided by the ACT project since 2010 continued to produce better results. Other beneficiaries are using adequate packaging materials which comply with the highest international standards and applying all the necessary pre-storage procedures like sorting, grading and washing by utilizing Dutch or Italian machinery. The expert recommended the cold storage practitioners to be more careful when applying modern technologies for quality management by controlling all aspects of storage climate like temperature, humidity, ethylene and other gases, regularly calibrating all the equipment, and following all the necessary procedures from farm to cold storage through a meticulous analysis of the existing conditions.

Two 4-day training courses on Equipment Repair and Maintenance held in Guba and Sabirabad regions in November and December.

As part of joint cooperation between the ACT Project and the German development agency, GIZ,

two four-day training courses on Cold Storage Equipment Repair and Maintenance were organized in Guba and Sabirabad Regions in November and December 2012. The primary goal of the training courses was to develop the technical knowledge and skills of cold storage technicians in equipment repair and maintenance. The training courses were conducted by a Turkish expert, Shahin Agan. The training course in Guba was attended by 12 people from 10 cold storage facilities in the Guba, Gusar and Khachmaz regions and six cold storage operators from Salyan, Bilasuvar, Hajigabul, Saatli and Goychay regions. The training courses consisted of three theoretical parts followed by one practical workshop conducted at one of the cold storages. The training courses consisted of Power Point presentations and illustrations on repairing the cold storage equipment and its parts. Before and after knowledge level tests indicated a 90% increase in the competence after the training course. The trainees demonstrated a great willingness to acquire necessary knowledge and skills at the training, and it was recommended to conduct such courses at least twice a year. On the last day of the training the trainees were provided with the practical site visit and demonstration of equipment repair and maintenance at the Guba and Goychay cold storage facilities.

Food Safety and HACCP Compliance

In the first quarter, ACT project's two partners, Azsertifika and Quality Association, continued working with six client companies. The company supported by Quality Association has completed on average 80% of the process of HACCP implementation. Azsertifika works with five companies out of which three companies (Orelay, Canub-Agro and Azerstar) have already completed 80% whereas the remaining two companies (Kristal and Interpak) have completed on average 50% of the process of implementation so far. ACT Food Safety consultant, Anna Vasylenko, provided technical back up for the partner companies throughout the quarter, with Food Safety Specialist Sabira Shikhaliyeva, providing management oversight for the HACCP project.

ACT staff, with the support of the regional BDS partners, MOED and other donor organizations, worked to identify potential HACCP clients in the first quarter of Year 3. As a result of these efforts, the ACT project developed a list of potential HACCP clients which were visited and assessed. Over thirty companies diversely located throughout the country were assessed in Salyan, Guba, Khachmaz, Zagatala, Balakan, Samukh and Baku. Assessment revealed that most potential companies identified did not meet the necessary requirements to be become HACCP clients, while others were not interested either due to scarce resources or lack of understanding of the importance of HACCP implementation. The assessment resulted in selection of two cold storage companies: IKAR-S, and Roshka LLC, both located in the Guba – Khachmaz region.

During the first quarter, ACT performed the final edit of the HACCP manuals, created in Russian language and later translated into the Azerbaijani language, developed in cooperation with USDA. The edits were completed and printing was in process at the end of the quarter. The manuals are intended for use by the Agrarian University in Ganja and the Ministry of Health. The HACCP

manuals should be ready for distribution in January 2013.

Three HACCP companies and one BDS, facilitated by ACT Project staff, were selected for participation in the 2013 Cochran program sponsored by USDA. The participants included Orelay, Kristal, Interpak and Araz Business Center. The selected companies look forward to learning more about modern market technologies, tools and methodologies and to establishing good marketing contacts during their trip to the United States.

Activity 3.C: Improve and Expand Knowledge of Agricultural Best Practices

This activity puts the focus on the farmer with the goals of raising production (quantity), productivity (yields), and quality of the targeted value chains. These activities complement Activity 3.B to ensure that all constraints in the value chain are addressed, and in particular the need for processors and traders to be able to source greater quantities and better quality fruits, fish, and dairy products. Specific activities include farmer training on improved farming and animal raising techniques, development of demonstration sites, development and provision of training materials, and potential assistance in developing the public and private agriculture extension system in Azerbaijan. These activities support indicator 3.1 in the ACT Project PMP, which is the number of farmer trainings that have been provided with USG support.

Sub-Activity 3.C.1: Education/Extension

The Agriculture Training section of the USAID ACT Project demonstrated continued growth and improvement in the first quarter of the third year. The problems facing farmers are becoming much clearer to the training staff and the means of addressing these challenges continued to improve through December of 2012. In the fourth quarter of the previous year ACT education and extension staff was focusing on nutrition and pesticide issues and educating trainers on methodologies of including these topics in every training. As the project moved into the third year, the focus of the train-of-trainers activity shifted to improving and addressing pesticide application in a more in-depth manner, to performing training demos on calf hutches in all dairy regions and to demonstration of rotational grazing in the Lankaran region.

Construction of the calf hutches took place in November in Barda, Beylagan, Agjabedi, and Lankaran. Four hutches at each of four farms were built in these regions for a total of 16 calf hutches. The cooperating farmers supplied the carpenter for the construction, and the ACT training staff was present to supervise the construction and to train the local farmers on the purpose and use of the hutches. Calves were expected to be born for the hutches in late December and early January.



At the time of the calf hutch construction, a beneficiary in Lankaran was identified to carry out a demonstration project on rotational grazing. This project is only focused in Lankaran because the farmers in the central regions have already started to adopt rotational grazing technology as a result of the Central BDS and the work of ACT LE Nazir Jafarov. The beneficiary in Lankaran has been supplied with the needed electric fencing materials for the project. Early in 2013 the ACT staff will return to Lankaran to set up the rotational grazing plot and train the farmer on how to use it.

In the fruit production sectors the concentration was on intensifying the pesticide trainings for farmers and pesticide dealers. Two weeks were spent in Guba training the local experts on pesticide application and preparation of training for pesticide dealers to take place in January 2013. Pesticide use is a very complicated technology and farmers are relying on pesticide dealers for most of the information they have access to. To improve this information system, ACT project set a goal of making its LEs in Guba, Goychay, and Sabirabad the best experts on pesticide application in Azerbaijan. To accomplish this, the first part of the quarter was spent with the LEs in Guba to increase their knowledge of pesticides by training them on pesticide rates and identification of proper pesticide rates for local conditions. Because every orchard needs a different rate of pesticide use, and every sprayer applies a different rate of pesticides, this becomes a critical issue in achieving proper pesticide application. Subsequently, it was decided to make simple charts for every sprayer operator as their sprayers were calibrated by ACT trainers. These charts would show tree size, sprayer speed, nozzle selection and nozzle numbers used to give the sprayer operators a simple way to decide how to set their sprayers for any given orchard. The team planned to combine the January training for dealers and sprayer operators because the two groups work together in supplying the farmers with pesticide services. The training is to be a four to six week series and cover the sprayer charts, chemicals, pesticide safety, and farmer communication techniques.

In addition to the above activities, the local BDS and LEs continued to train farmers in the

pomegranate, apple, and dairy sectors in accordance with the training materials supplied to them in the beginning of the year.

- ACT Baku staff, extension experts together with consultants and regional BDS partners trained and provided technical assistance to a total of 4,507 participants in the first quarter of the third year. Out of the total number female participants' share constituted 16% and subsequently male participants accounted for 84%.
- BDS partners held 100 training sessions for 1,523 participants and provided 320 technical assistance visits to 687 farmers.

Local experts and consultants held 131 training sessions to 1,768 participants and provided 201 technical assistances to 529 farmers.

Training Received by Sector

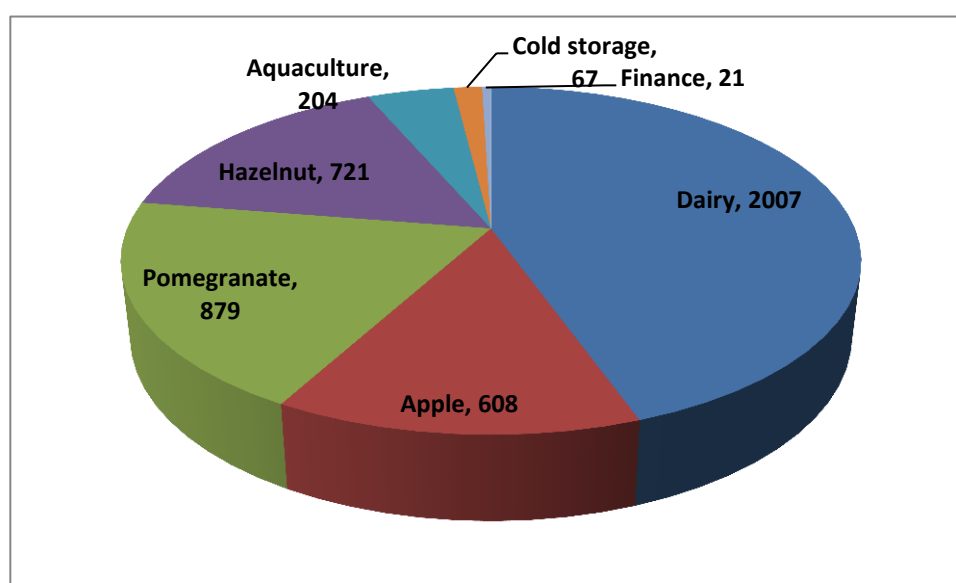


Diagram 1: Number of participants receiving training and technical assistance by sector/topic.

The project purchased and distributed training equipment for its horticulture (pruning shears, saws, and sprayers) and aquaculture (tool kit, water quality measurement) local experts. Supervisory visits were made to all of the local experts, and intensive training of the trainers was conducted for the dairy and horticulture local experts and implementing partners.

Horticulture ***Hazelnuts***

The project provided 362 farmers with technical assistance and trainings for increasing their agro-technical skills in hazelnut production in Zagatala region by Parviz LLC, the northwest BDS provider.

Hazelnut local expert conducted trainings and technical assistance for 325 farmers in the Zagatala region.

Below are the topics of the training during the last quarter:

- Application of organic fertilizers in hazelnut orchard
- Land preparation and soil requirements
- Pruning and tree shaping
- Hazelnut orchard establishment
- Varieties selection
- Types of fertilizers application

Farmer Training in Georgia:

As in the previous year, the EPI project in Georgia collaborated with the Ferrero Company to organize a hazelnut training. The ACT project sent four agronomists to attend that training. The hazelnut training will have four sessions through the year. The first hazelnut training session was held in the Zugdidi region in Georgia December 12 – 13, 2012. The participants that the ACT project sent were hazelnut Local Expert, Mr. Ziyaveddin Aliyev, BDS Provider Parviz LLC hazelnut agronomist, Mr. Suleyman Mollayev, one lead hazelnut farmer, Mr. Hajiomer Mammadov, and the Director of AZERSTAR Hazelnut company, Mr. Anar Hamzayev.

This training session was mainly about “Setting up an effective Hazelnut Orchard” including the following topics:

- Land preparation for planting – land preparation process, planting system
- Orchard Layout – planting system, planting distance
- Pruning - tree shaping (single trunk, multi stem bushes) advantages and problems of the different tree shapes
- Fertilizers - Hazelnut benefit from a balanced nutritional program and main elements (nitrogen, potassium, phosphorus and boron)
- Pollination

During the training session ACT agronomists and farmers were acquainted with Italian hazelnut growing practices and as a result of the session, the participants will transfer the knowledge and skills to hazelnut farmers in their respective regions.

ACT senior management traveled to Georgia in December to meet with AGG (Ferrero Georgia subsidiary) to discuss the establishment of a similar training program in Azerbaijan. It was agreed

that AGG would provide the same training program in Azerbaijan beginning in February with two sessions. The project also obtained agreement to sign and MoU document between USAID and AGG. The document should be finalized next quarter.

Pomegranates

The project's local BDS provider trained 550 pomegranate farmers in the Central region. Pomegranate local expert conducted trainings and technical assistance for 310 farmers in the Goychay and Kurdemir regions.

Below are the topics of the training:

- Technical requirements for establishment of pomegranate orchards
- Land preparation for planting system
- Pruning – tree shaping (single trunk, multi stem bushes)
- Varieties selection
- Fertilizers - fertilization plan needed for the pomegranate orchards to improve productivity, fruit quality and generally plants conditions

Due to the increased demand for processed pomegranate products (primarily pomegranate juice) pomegranate farming experienced rapid growth. Many new pomegranate orchards were established and existing orchards were rejuvenated and expanded. This created a need for new nurseries. Technical assistance and training identified that one of the areas that farmers needed assistance was in selection of proper varieties based on market preferences. ACT's local experts and BDS partner identified several viable nurseries in the Sabirabad and Goychay regions, linked them with farmers and provided technical assistance on the selection of pomegranate varieties. Most farmers were advised to purchase the most common and marketable variety "Gulovsha". In the Sabirabad region three farmers were advised to get the soil tested and prepare the land for planting. These farmers planted a total of 1500 trees of the Gulovsha variety.

Success Story

Joining the pomegranate training and technical assistance programs launched by the ARAZ Business Center, USAID ACT Project local partner, the farmer Ikhtiyar Muradov benefited from the recommendations regularly provided by the Center pomegranate expert, Dashgin Agashov.

Initially, the expert visited the farmer's orchard and identified the shortcomings found in his orchard. Dashgin Agashov recommended the farmer to manage his orchard based on a regular maintenance program developed by the expert. Following all the technical advice given by Dashgin Agashov, the farmer initially pruned and fertilized the orchard with manure, nitrogen, phosphorus and potassium. He also tilled the soil around each tree and ploughed the rows. The farmer also implemented pest control measures in order to produce high quality pomegranates in line with international market standards. The pomegranate trees in his orchard were treated with pesticides recommended by Dashgin Agashov.

Due to a low precipitation level in the summer months, pomegranate orchards in the Sabirabad region need to be irrigated in furrows. Special care should be taken to apply furrow irrigation in pomegranate orchards with regard to their soil composition and irrigation time. The expert provided the farmer with all the necessary recommendations on proper irrigation management practices.

As a result of the training and technical assistance provided by ARAZ Business Center the farmer succeeded in tripling the production of his orchard up to six tons! The high quality pomegranates produced by the farmer were exported to Russian markets through distributors. The farmer made an income of about 5,500 AZN from the sales. Inspired by these results the farmer decided to plan another 5-hectare pomegranate orchard. For the first time the farmer displayed his high quality produce in the Pomegranate Festival held in the Goychay region and informed other interested farmers about best agronomic practices he had already implemented in his orchard.



Apples

608 apple farmers were provided training and technical assistance to increase their agro-technical

knowledge and skills by two local experts during the first quarter. The training and technical assistance covered the Shabran, Gusar, Khachmaz and Guba regions.

Below are the topics of the training:

- Technical requirements for establishment of apple orchards
- Land preparation for planting
- Pruning – tree shaping (single trunk)
- Varieties selection
- Fertilizers - fertilization plan required to improve apple orchards productivity, fruit quality and generally plants conditions

Dairy

- In general, partner organizations (JAC and AgroTech) and local experts (Shirzaid Khamiyev and Nazim Jafarov) held trainings and provided technical assistance in the Southern and Central regions for a total number of 1997 participants, 1533 of them being male and 206 female participants.
- Out of this number AgroTech LLC experts provided training and technical assistance in the central region for 908 participants throughout the quarter.
- JAC LLC experts held training and provided technical assistance for 390 persons (male 289, female 101) in the southern region.
- Shirzaid Khamiyev, local expert in the southern region and Nazir Jafarov, local expert in the Central region held training for 349 persons (male 274, female 75).
- As a result of the training and technical assistance, 40 farmers were interested in artificial insemination (AI) and linkages were built between them and experienced AI technicians working in the regions, which resulted in successful artificial insemination of 41 heads of cattle. Farmers invested a total of 820 AZN in the activities related to AI.
- As a result of technical assistance provided by JAC experts in the southern region 11 farmers were able to reach successful artificial insemination of 14 heads of cows in their farms. They invested 350 AZN in this activity.

Training in the dairy sector focused on calf health, forages, and AI this past quarter. There was also an Artificial Insemination expert employed to help with dairy training at the end of the quarter.

A significant effort was made in the AI area during the first quarter. In the dairy sector, ACT hosted, Eran Raizman, as an Artificial Insemination (AI) expert to train on AI practices in the dairy regions. In preparation for this trip, the Swiss company EPER HEK was contacted to identify

potential cooperation opportunities for the two projects in the Agjabedi and Beylagan regions. This contact resulted in our local expert from AgroTech agreeing to train farmers that produce milk for one of the EPER HEKS local cheese processors. Upon the consultant's arrival dairy staff went to the field to conduct AI training with local training staff and to train AI technicians that bred cows for the regional veterinary offices. It was clear from the start that the AI program in Azerbaijan has many serious problems to overcome if it is to be successful. AI is a very complex technology that needs continued technical support. A few years ago an AI station was established in the Ganja area but after the initial training, the local AI technicians have been left basically without any technical assistance. Problems facing AI in Azerbaijan are nutrition, herd health, heat detection, semen quality, distribution issues, AI technician's lack of updated information, and farmers' lack of basic information on the system. ACT dairy staff and the consultant addressed these issues in the training, as 13 farmer enterprises in the southern and central regions were visited and assisted in AI practices. Moreover, practical training on successful artificial insemination was delivered to 32 AI technicians employed by the regional veterinary centers and eight dairy experts including BDS and LEs. Broad information was given on innovations in the AI sphere, its significance, drawbacks and etc., during the training.

Aquaculture

The aquaculture expert Sabir Ganizade continued to develop and communicate the seven step training module consisting of seasonal topics, segregated by geographical regions. Within the frame of this training program, during the first quarter Sabir covered 19 regions, including the following:

- Northwest area: Zagatala and Balakan
- North area: Khudat, Khachmaz, Siyazan, Shabran, Khizi, Guba and Gusar
- Central area: Hajigabul, Kurdamir and Goychay
- Southern area: Shirvan, Jalilabad, Lankaran, Masalli, Astara, Salyan and Neftchala

The trainings cover such vital topics for fish farmers as Design of Carp and Trout Farms, Construction of Wintering and Fingerling Ponds, Best Siting Advice, Chemical Content of Water at the Farm, Stocking Density and Ratios, Fish Feeding Rations and FCR, Identification, Treatment and Prevention of Fish Disease, Hatchery Construction and Incubation at Farm Conditions, Fresh Fish Handling, Semi-processing, Transportation and Marketing.

During the quarter 204 farmers were trained and received technical assistance in various aspects of fish farming. One of the most needed training areas for the farmers currently is assistance with design and construction of fish ponds and raceways. As fish farmers begin to see profit from their product sales, more farmers and entrepreneurs tend to research the opportunities to establish a fish farm. However, the information on the proper design and construction of fish ponds and raceways is very limited and not easily found in the Azeri language. Those farmers who were able

to receive the aquaculture manual produced and published by the ACT aquaculture team, report a great leap in production as design, nutrition, breeding and disease identification and treatment measures are clearly described in the manual.

During the past quarter Sabir Ganizade assisted four new fish farms with siting, assessing the water chemistry, provision of total design and practical advice at construction. These are two large carp ponds in the Hajigabul and Kurdamir regions and two trout farms in the Khachmaz and Gakh regions. The overall investment into the establishment of these farms exceeds 350,000 AZN. The total output of these four fish farms equals to 300 MT annually, which sold is valued around 2,350,000 AZN annually. The project estimates that in two to three years the farms will be operating at full capacity and will start initial sales.

Sub-Activity 3.C.2: Demonstration Farms

Hazelnuts

During the quarter Azerstar improved its vigilance and took the needed agro-technical measures to care for the hazelnut demo orchard in Zagatala. This involved removing weeds, softening the soil around the trees and removing dead trees from the orchard. The management of Azerstar hired an additional worker specifically to take care of the plot. ACT local expert provided hands-on training to the new worker regarding orchard management guidelines for the hazelnut trees.

Under the MOU signed with ACT, GIZ and Azerstar, GIZ purchased a weed removing machine and donated it to Azerstar to utilize at the plot. Attached to the tractor, this machine mows the grass, plows the soil and mixes the grass the soil, which in turn enriches the soil. The cost of the machine was 4,500 AZN. GIZ indicated that they are willing to purchase additional equipment for the plot, as necessary. Based on recommendations from Ferrero and ACT local experts, the ACT project will be advising GIZ on the most applicable pieces of technology to be additionally purchased and/or rented to support proper use of the demonstration plot and planned training.

In December 2012, ACT management traveled to Tbilisi, Georgia to meet with Ferrero as mentioned above. In addition to training needs the project discussed continued support for the hazelnut demo plot. It was decided that Ferrero will send 280 saplings of the main varieties and 68 saplings of pollinators, total of 348 saplings to replace the dead trees. It is expected that the saplings will arrive during Q2. In addition, Ferrero agreed to send technical guidelines for maintenance of the orchard and make periodic visits to Zagatala to provide practical advice and observe the progress of the plot.

Apples

As a result of project support, two intensive apple and one nursery demo plots were established in the Guba – Khachmaz region. The ACT project supported the apple intensive and nursery demo plots in providing 660 saplings, 4000 rootstocks, fertilizers, agro-chemicals, stakes, technical

assistance and covered some costs of implementation of planting.

The project planted 330 apple trees in each 0.5 hectare plot for intensive orchards with 5x3 m planting space. The saplings represented three apple varieties: Granny Smith, Simirinka Renetti, and Vagner Prizovoye. The project supplied 4000 rootstocks to the nursery demo plot. Intensive demo plots are located in the Shabran and Khachmaz regions. The nursery demo plot is located in the Guba region.

The MOUs with each beneficiary were signed by the ACT project to ensure the mechanisms of accountability.

Aquaculture

Construction at the carp hatchery in Neftchala was almost completed during the quarter. To date, all the necessary equipment has been purchased and installed. The physical building has been reconstructed and expanded to more than twice the size. It has running water through all the underground and on-surface pipes. In addition, all the plastic incubator and glass jars were tested, and the large collection tanks were connected to the major flow infrastructure. All is set to implement the new technology of raising two week-old fingerlings, rather than the old system of selling three-day-old fry. The benefit of this technology is that after 30 days the carp will be 40 to 60 mm, and can be stocked in production ponds with a predicted survival rate of over 80%. This will significantly transform the industry. Although farmers will pay more to purchase fingerlings, they will have early stage mortality rates reduced by more than 80%. Moreover, these practices will improve the ability to plan, manage and forecast their production and the product inventory. Knowing the expected outputs in terms of seasonal yields they will be able to do their marketing, sales and future contracting to supply larger buyers.

Below is the hatchery schedule:

- May1-15 – 1.8 million carp
- May 15-31 – 1.8 million common carp
- June 1-15 – 1.8 million Silver-Big Head- White Amur
- June 15-June 30 – 1.8 million Silver-Big Head- White Amur

This will make 7.2 million 15 day old carp. With an expected survival rate of >75% this will provide the same impact as 144 million 3 day old fry with a 5% survival rate. Remaining construction will be completed early in January 2013.

Activity 3.D: Improve Access to Finance for SME's and Farms, particularly in Rural Areas

Sub-Activity 3.D.1: Agricultural/Rural Lending and Leasing

This activity seeks to increase the amount of lending and leasing in the agricultural sector by

developing the capacity of selected financial institutions and a bank training center in order to encourage them to provide more services and loan products to the agriculture sector.

During this quarter, the ACT project continued to work with three commercial banks (Demir Bank, Turan Bank and AG Bank) and a non-banking financial institution (AzerCredit) in the implementation of new ag-lending tools.

Additionally, Bank Respublika joined the group of banking and non-banking financial institutions assisted by the Project. The MoU was signed on December 6, 2012. The Bank's main objective in joining the project is to implement a new agriculture loan product to be applied countrywide. To this end, the project team prepared, presented and obtained approval for a work plan that covered the main targets and activities to be carried out during the period Jan-Sep 2013.

Demir Bank

The Management of Demir Bank confirmed its interest in continuing to work with the project and in expanding the ag-lending approach to the rest of the bank as a new agriculture loan product. The pilot test was deemed very successful by the managers of Guba and Gusar, the two pilot branches. In this regard, the team attended an assessment meeting at the Gusar branch where the head of the MSE Department discussed the overall performance of templates and formats. The branch manager expressed his satisfaction with the approach and its contribution to simplifying the loan application process and improving client outreach. A separate presentation was given to the head of the Risk department of Demir Bank to explain how effectively risks are managed in the new approach.

After the success of the pilot test, Demir Bank is interested in consolidating all lending operations below 10,000 AZN under one unified approach that will use all USAID simplified loan policies, procedures, formats, and templates. This unified approach would include consumer lending as well. As part of the major efforts envisioned in this direction, the Bank is in the process of buying new software (Loan Workbench) specifically designed to meet the reporting and processing needs of the endeavor. A major goal is to automatize all loan processes and procedures in order to facilitate the information collection in the field, expand outreach, accelerate disbursements and increase productivity. To this end, the project team prepared and submitted a work plan to Demir Bank managers covering all related activities. The management of Demir Bank gave approval to a cost sharing proposal of \$30,000. The agreement will be finalized with the signing of a new MoU agreement in January 2013.

Azercredit VF

Training on "Sales promotion" was conducted by project experts for 21 credit officers and internal trainers of AzerCredit on November 29m 2012. Practical recommendations were given on how to present professional work attire, how to express ideas clearly and offer loan products, how to

respect and listen attentively to the client, etc. Special useful tips were given to loan officers using illustrative promotion scripts.

Training on “Agro lending” was conducted by project experts for 24 credit officers and internal trainers of AzerCredit on December 4, 2012. Practical recommendations were given on loan analysis, risk assessment, mitigation of risks associated with agriculture, etc. With the attendance of its own trainers AzerCredit has initiated the transfer of MSE-Ag lending modules and materials to their own training department. The majority of the loan officers in attendance came from the regional branches, including Ganja, Imishli, Beylagan, Agdash, Tar-Tar and Saatli.

AG Bank

AG Bank hired two new loan officers to work exclusively in agro-lending in the Yevlakh Branch. The project team conducted in-class training for the officers in the use of policies, procedures, formats and templates. Field coaching and follow up was also provided on a regular basis through one field visit to Yevlakh and conference call discussions. Over 20 loan applications have been analyzed together, and the team discussed the quality of the information provided, along with the quality of the application itself. The bank liaison was trained in all policies, procedures, formats and templates and has been working closely with the team in the training and coaching of the new loan officers.

Turan Bank

The management confirmed its interest in continuing with the project and in expanding the agro-lending approach to the rest of the bank. Over 30 loans were given using the new templates and approach in the Khachmaz pilot branch. For having more effective micro lending in general a Risk Based Collateral proposal was prepared by project finance experts and discussed with the head of the Credit Department. Final presentation will be given to the Management Board in early in 2013 before implementation in pilot branch.

The credit department specialist who is responsible for tracking pilot branch activity will also be trained as an internal trainer for the new approach and methodology in order to help in the roll-out process.

ARPA

Project finance experts had a couple of meetings with ARPA management to discuss past and future activities, to plan training, and decide on effective transfer of knowledge to their trainers. Additionally, AzerCredit and Demir Bank agreed to use some their staff members as trainers for ARPA courses, who will be trained next year.

In addition, a meeting with Nick Hahn, the ACT consultant on associations, was arranged to provide guidance to ARPA on organizational matters. ARPA expressed interest in technical

assistance on expanding its membership base and broadening the number and type of services provided to its constituency.

Other activities

Project financial experts gave interviews to Public TV and Channel 13 (Internet TV) on Access to Finance touching on local problems in agro-lending and giving samples from international best practices.

Issues/Constraints

Over the last quarter, there have not been any significant constraints hindering the implementation of activities in component 3. However, there has been more recent attention placed on activities in the regions by the Excoms. The project will continue to communicate with the Excoms and other necessary government officials to ensure smooth implementation of activities.

Project Activities Planned for Q2 FY2013

Dairy

- Provide trainings using demonstrations to promote the application of best practices by involving the experience of beneficiary farmers (Calf Hutches and Rotational Grazing).
- Involve international expert in Artificial Insemination and provide technical assistance to and cooperate with the Ministry of Agriculture, Azerbaijan State Agrarian University, Artificial Insemination Center and other organizations operating in this area.
- Provide training and technical assistance on “Sanitary and Hygienic Compliance” “Proper Pasteurization of Milk Products” to individual household dairy processors in the central and southern regions.

Horticulture

- Provide business development service consultations to processors, cold storage operators and other small and medium enterprises in apple and pomegranate industries.
- Monitor the established apple and hazelnut demo plots.
- Work with cold storage expert, Patrick Hughes, to conduct a survey for the cold storage beneficiaries of the project in order to measure progress of cold chain industry as a result of consultations provided.
- Organize two large regional workshops on cold storage management.

Aquaculture

- Assist three large fish farms in the northern and central regions with drafting a design and supervise their construction.
- Assist Girkhbulag and two other trout farms with incubation of fish eggs and provide necessary advice with fingerling raising.

- Supervise the completion of construction of the carp hatchery in Neftchala.
- Print additional 250 aquaculture manuals and distribute to fish farmers during training and technical assistance visits.

HACCP

- Finalize the selection process of the HACCP companies for the third year.
- Conduct pre audit/audits of the current HACCP companies.
- Initiate the work with the newly selected HACCP companies.
- Hold the final training for the Consumer Union on Food Safety Seal Program.
- Present HACCP Manuals to Agrarian University and Ministry of Health.

Education/Extension

- Together with expert hold pesticide dealer and sprayer operator trainings in both Guba and Goychay.
- Start sprayer calibration hands-on training in March.
- Complete the rotational grazing project started in Lankaran.
- Provide training for at least 4,000 farmers in the quarter.

Finance

- Start technical assistance to the new partner bank, Bank Respublika
- Start the new technical assistance to Demir Bank based on new work plan.
- Continue work with the AGBank Yevlakh Branch and with agreement of Bank's management start implementation of new forms and approach in the second pilot.
- Continue to work with the Turan Bank Khachmaz branch, start implementation of new forms and approach in the second pilot.
- Conduct training for AzerCredit loan officers and internal trainers.
- Conduct two regional trainings for ARPA (Azerbaijan Risk Professional Association) and AMFA (Azerbaijan MicroFinance Association) members.
- Conduct at least two trainings for farmers on access to finance.

Coordination with other Donor Projects

In addition to the above-mentioned collaborative activities mentioned in particular in components 1 and 3 the project supported additional donor coordination activities in the quarter. The project developed the agenda and hosted two working group meetings on trade and non-oil sector and agriculture in Q1. In addition, the project provided updates from those working group meetings at the larger donor coordination meeting for all donors with socio-economic project. The meeting was hosted by the EU delegation. The project will continue to support donor coordination activities as necessary.

Cross Cutting Activities

Monitoring and Evaluation

The following table provides the status of indicators for the quarter in comparison with the agreed upon targets.

Monitoring Reporting for FY3 Q1

Indicator	Cumulative Actuals FY1		Targets FY1	Cumulative Actuals FY2	Targets FY2	FY3Q1 Data		Cumulative Actuals FY3	Targets FY3	Comments on Q1 data
1-2.1 Number of direct exposures of public education/advocacy	M	F	670	588	600	M	F	91	700	Conference on secured transactions; Dan F.'s presentation at the SME Development Workshop; Milli Majilis Hearing
	520	150				80	11			
1-2.2 Number of indirect exposures of public education/advocacy	7		7	16	14	8		8	21	Component 1: Eldar Q.'s article in the 'Economist'; Eldar Q.'s academic article in the journal 'Qanun'; article on secured transactions/property in AmCham's 'Impact' magazine; publication of the AML book; 2 articles in the media generating a pro-reform message as a result of the joint event with the IFC on secured transactions: Component 2: TV show
1-2.3 Number of institutions/organizations undertaking capacity/competency strengthening as a result of USG assistance	12		12	1	3	0		0	4	
COMPONENT 1										
1.1 Implementation of modern risk assessment in line with international best practices by the Central Bank	No		No	No	Yes	No		No	Yes	
1.2. Number of people trained in using the outputs of the risk assessment system for banks at the Central Bank	0		0	0	40	0		0	40	
1.3. Number of people trained with the goal of improving or working more effectively with the business enabling environment	M	F	194	124	100	M	F	61	100	The E-Learning Launch
	127	67				40	21			
48										

Indicator	Cumulative Actuals FY1				Targets FY1	Cumulative Actuals FY2	Targets FY2	FY3Q1 Data	Cumulative Actuals FY3	Targets FY3	Comments on Q1 data			
1.4. Number of agencies that introduce improvements into their food safety inspection regimes as the result of project assistance	0				0	0	2	0	0	2				
1.5 Number of business environment laws, regulations, or administrative procedures drafted, submitted for public/stakeholder consultation, submitted for legislative consideration, or passed/ approved	draft	stakeholder	sub. Legisl.	approved	5	6	10	draft	stakeholder	sub. Legisl.	approved	4	10	The Tax Code was both submitted to MMs and passed (2 pts); Several provisions changing the procurement law were developed under the E-Commerce “roof” (1 pt). The MM’s held an official hearing on the Comp Code (1 pt).
	3	1	1	0				1	1	1	1			
1.6. Number of people completing a project-supported E- learning program on AFL/CFT	0				0	0	0	5	5	1200				
1.7. Number of currency transaction reports sent from reporting entities to the Financial Monitoring Service	188,030				188,030	172,821	180,000	77,386	77,386	200,000				
1.8. Number of suspicious transaction reports sent from reporting entities to the Financial Monitoring Service	18,623				18,623	15,070	25,000	4,517	4,517	20,000	Number for narrower definition of suspicious transactions was 140			
1.9.Number of cases referred from the Financial Monitoring Service to the appropriate prosecuting authority ⁷	10				10	9	20	1	1	30				
COMPONENT 2														
2.1. Number of USG supported training events that relate to improving the trade and investment environment	8				8	7	8	3	3	8	2 trainings on trade remedies; Introduction of e-Procurement in Azerbaijan			
2.2.Number of participants in trade and investment environmental trainings	M	F	120		46	80	M	F	17	100				
	52	16					14	3						
2.3.The number of new requests, offers, revised offers, or other formal text that are submitted by a host country as part of international trade talks attributable to USG assistance	9				5	10	5	10	10	5				

⁷ The targets for FY2 and FY3 need to be changed downward from 10, 20, 30 to 10, 3 and 3 to reflect stricter standards by the FMS in reporting cases. This came about after prosecutors established a clearer standard for cases referred by the FMS in Y1 due to insufficiency of evidence. A revised PMP will be submitted to reflect this change.

Indicator	Cumulative Actuals FY1			Targets FY1	Cumulative Actuals FY2	Targets FY2	FY3Q1 Data			Cumulative Actuals FY3	Targets FY3	Comments on Q1 data
2.4. Number of bilateral, plurilateral, and multilateral meetings toward negotiating accession to agreements, conventions, and international organizations	<i>bilateral</i>	<i>plurilateral</i>	<i>multilateral</i>	5	14	6	<i>bilateral</i>	<i>plurilateral</i>	<i>multilateral</i>	10	5	
	0	0	1				8	1	1			
2.5 .Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with international trade and investment agreements due to support from USG-assisted	<i>draft</i>	<i>submitted</i>	<i>approved</i>	6	10	6	<i>draft</i>	<i>submitted</i>	<i>approved</i>	10	6	
	1	2	7				1	2	7			
COMPONENT 3												
3.1. Number of individuals who have received USG supported short-term agricultural sector productivity training	M	F	1,000	9,824	9,000	M	F	4,424	12,000			
	939	118				3,711	713					
3.2. Number of firms receiving USG supported assistance to improve their management practices	70			40	25	40	38			38	140	
3.3. Number of firms receiving USG assistance compliant with international quality control, environmental and other process voluntary standards or regulations	0			0	0	5	0			0	5	
3.4. Percent of farmers, processors, and others who have adopted new technologies or management practices as a result of USG assistance <i>(1) dairy and aquaculture farmers, (2) processors</i>					(1)62% (2)23%	25%					15%	
3.5. Percent change in the yield of targeted commodities as a result of USG assistance <i>(1) pomegranate, (2) dairy, (3) aquaculture.</i>					(1) 33.6% (2) 8.7% (3) 21.8%	(1) 5% (2) 7% (3) 18%					(1) 7% (2) 18% (3) 15%	
3.6. Percent change in value of purchases from smallholders of targeted commodities as a result of USG assistance <i>(1) pomegranate, (2) dairy, (3) aquaculture</i>					(1)9.2% (2)44.6% (3)25.8%	10%					15%	
3.7. Percent change in sales in the following targeted commodities by processors as a result of USG assistance <i>(1) dairy, (2) hazelnut, (3) pomegranate, and (4) cold storage.</i>					(1) 5% (2) 6% (3) 17% (4) 0%	(1) 8% (2) 5% (3) 5% (4) 5%					(1) 10% (3) 8% (3) 8% (4) 8%	

Indicator	Cumulative Actuals FY1	Targets FY1	Cumulative Actuals FY2	Targets FY2	FY3Q1 Data	Cumulative Actuals FY3	Targets FY3	Comments on Q1 data
3.8. Percent change in the value of international exports of the following targeted agricultural commodities as a result of USG assistance <i>(1) hazelnut, (2) pomegranate</i>			5% 16%	(1) 7% (2) 4%			(1) 5% (2) 3%	
3.9. Number of jobs created as a result of USG assistance			1605	700			600	
3.10. Number of new agricultural loans or leasing agreements made by financial institutions receiving project assistance	5,417	5,417	12,235	10,973	3,333	3,333	8,431	
3.11. Percentage change in the value of overall portfolios of agricultural loans or leasing agreements made by financial institutions receiving project assistance	26%	26%	37%	55%	0.64%	0.64%	30%	

Financial Reporting

The table below provides a breakdown of costs by category for Q1 FY 2013 (October 1-December 31, 2012).

Categories	Vouchered October 1, 2012 – December 15, 2012 (US\$)	Vouchered Oct 1, 2010 – December 15, 2012 (US\$)	Accruals December 16-December 31 2012 (Estimates December 16 – 31, 2012)
Technical assistance	849,306.51	9,936,682.78	187,151.64
<i>Expatriates (US and TCN): Long-term Technical Assistance</i>	134,079.00	2,282,152.49	32,630.00
<i>Expatriates (US and TCN): Short-term Technical Assistance</i>	270,719.16	4,373,565.10	58,021.58
<i>Local Staff</i>	382,171.35	3,280,965.2	96,500.06
LTTA Allowances	60,535.15	756,978.49	4,880.78
Training Expenses	36,629.49	377,547.51	-
Administrative Expenses			
Travel/Transportation/Housing/Office Rent	158,787.52	1,861,313.88	52,002.80
Equipment & Vehicles	19,614.86	296,835.51	1,200
Other (Communications and Delivery, Bank Charges, Translation/Editing Services, Occasional Labor, Passports and Visas, Local CCN Social Costs, Legal Costs, etc.)	197,301.76	1,448,981.02	15,912.42
G&A	56,695.89	568,998.80	5,000.00
Grants			
TOTAL	1,378,871.18	15,247,337.99	\$453,299.48

Communications and Outreach

During Year 3 Quarter 1 the Project implemented the following TV and news outreach activities:

Name	Description\ Topic	Attended	Date
“Center of Attention” program on Public TV (Ictimai TV) <i>Topic: Cold Storage Management</i>	Local and international experts discussed cold storage systems, their management, advantages of proper cold storage systems, global practices.	- Patrick Hughes – International Expert	18.10.2012
Article "Harnessing Value in Agricultural Assets" AmCham's "Impact" magazine	Article by Daniel Fitzpatrick, ACT Project Component 1 Team Leader link http://www.amchamaz.org/domains/amcham/assets/file/newsletter/impact15.pdf	- Daniel Fitzpatrick, ACT Project Component 1 Team Leader	October 2012
“Center of Attention” program on Public TV (Ictimai TV) <i>Topic: IP and Piracy</i>	Experts talked about intellectual property and piracy issues, infringement and protection of copyrights.	- Elkhan Mikayilov, ACT Project Component 2 team leader - Khudayat Hasanli, Representative of State Copyright Agency - Miryagub Seyidov, Representative of Metrology and Patent Committee	01.11.2012
“On path of development ” program on ELTV (Yevlakh TV) <i>Topic: Pomegranate Industry</i>	Local experts and pomegranate farmers talked about challenges and perspectives of pomegranate industry. Also footage from Pomegranate Festival in Goychay, as well as interviews with ACT Project beneficiaries and local experts were used.	- Regional pomegranate farmers - Guests and participants of the Pomegranate Festival - ACT local expert	08.11.2012
Publication of Article on Competition legislation APA “Economist” magazine “Qanun\Law” magazine	Article by Eldar Gojayev, ACT Project Component 1 deputy team leader on status of competition in the country, competition legislation and its implications. http://www.newsmeeting.com/ru/n/4902387.aspx	- Eldar Gojayev, ACT Project Component 1 Deputy Team Leader	November 2012

Name	Description\ Topic	Attended	Date
“Center of Attention” program on Public TV (Ictimai TV) <i>Topic Access to finance (agro-lending)</i>	ACT Project local and international expert, as well as representatives of various financial institutions and agri-enterprises discussed access to finance issues, challenges, benefits, opportunities for improvement.	<ul style="list-style-type: none"> - Vasif Bdalov, ACT Project local expert - Arelis Gomez, international expert 	15.11.2012
Kanal 13 (online TV) <i>Topic Access to finance (agro-lending)</i>	ACT Project local and international expert, as well as representatives of various financial institutions and agri-enterprises discussed access to finance issues, challenges, benefits, opportunities for improvement. http://kanal13.tv/?direct=video&rel=1UHRGDO1L	<ul style="list-style-type: none"> - Vasif Bdalov, ACT Project local expert - Arelis Gomez, international expert 	25.12.2012

Fixed Price Contracts

The following fixed price contracts were signed in in FY2013 Q1 (October 1, 2012 – December 31, 2012).

AR Number	Contract #	Contracted Amount (AZN)	Organization	Value Chain/Subject Area	Region	Period of Performance
-----------	------------	-------------------------	--------------	--------------------------	--------	-----------------------

N/A

Annex 1A – Legislative Tracking: Domestic Business Enabling Environment as of December 2012

At Parliament:

Draft Legislation	Comments
1. Draft Competition Code	Was not enacted despite it being on the Parliament's agenda for the fall session and despite a public hearing on the draft code. Nevertheless a working group to make changes to the code has been formed and the legislation is on the Parliament's agenda for the spring session.
2. Amendments to the Tax Code	This was passed at the end of the quarter.

At President Office:

Draft Legislation	Comments
3. None currently	

At Cabinet of Ministers:

Draft Legislation	Comments
4. Draft Law "Establishment of a Unified Cadastre of Real Estate"	Previously there were two competing draft laws, one drafted by the State Committee on Property Issues (SCPI) and the other by the State Land and Cadastre Committee. The draft by the SLCC is no longer being considered. Nonetheless the SLCC continues to lobby against the SCPI's draft.

Draft Legislation	Comments
5. Draft Law on “Licensing and Permits”	<p>It was submitted by the Ministry of Economic Development with many of the proposed revisions of the project adopted. The draft is pending however, due to a failure to clarify the actual licenses and permits that should be listed in a presidential decree that would accompany the draft.</p> <p>Apparently negotiations are going back and forth among ministries and agencies that over the clarification of license authority and the resolution of overlapping jurisdictions to issue licenses.</p>
6. Package of legislative amendments concerning e-commerce.	<p>The review by the various agencies and ministries through the Cabinet of Ministries’ circulation process is essentially complete, with most accepting or coming to acceptable compromises on the proposal in the package of amendments. The package will now be separated out with individual amendments circulating a second time in what hopefully should be a pro-forma exercise.</p>

At Ministerial Level:

Draft Legislation	Comments
7. Draft Law on “Secured Transactions”	<p>The Central Bank and the International Finance Corporation continued their discussions on how to address some particularly difficult aspects of drafting the law. Consultations over Skype between the head of the Legal Department at the Bank and a regional expert from Ukraine appeared to offer hope of a way to reconcile these differences.</p>

Annex 1B – Legislative Tracking: Trade Environment as of December 2012

At Parliament:

At President Office:

Draft Legislation	Comments
1. Draft Law “On Technical Regulations”	Finalized at the President Office Legal Department. Sent back to Cabinet in order to obtain final visas. Final Visas are provided by all ministries and the draft law is ready to be submitted to President’s Office. ACT will conduct final review.

At Cabinet of Ministers:

Draft Legislation	Comments
2. Draft Law “On Protection of Rights of Broadcasting Organizations in Digital Network”	In Cabinet of Ministers. No outstanding issues.
3. Draft Amendments to the Law “On Food Products” No.759-IQ dated November 18, 1999	Draft has been agreed with all agencies and is ready to be sent to President Office. Once agreed with them, draft will be submitted to the President’s Office.
4. Draft Amendments to the Law of the Republic of Azerbaijan “On Sanitary and Epidemiologic Welfare” No.371 dated November 10, 1992	At Cabinet of Ministers. Ready for submission to the President’s Office.
5. Draft Cabinet of Ministers Resolution “On Declaration of Works to be Fallen Into Public Domain”	At Cabinet ready for approval.
6. Draft Cabinet of Ministers Resolution “On Minimum Tariffs for Use of Subject Matters of Related Rights”	At Cabinet ready for approval.
7. Draft Law on Accreditation of Conformity Assessment Bodies	Draft has been agreed with all line ministries at the Cabinet of Ministers and is ready to be sent to Presidential Administration.

At Ministerial Level:

Draft Legislation	Comments
8. Draft Amendments to the Rules “On Rules of Issuance of Special Permission (Licenses) for Some Types of Activities” approved by Decree of the President No.782 dated September 2, 2002	A legal working group was established to revise this Draft to ensure greater conformity with the WTO Agreement on Import Licensing Procedures. It has been agreed to set the fees for alcohol, tobacco, and precursors licenses in line with GATT Article VIII.
9. New version of the Law on Standardization	Draft has been finalized at State Committee on Standardization, Metrology and Patent and sent to Cabinet of Ministries.
10. Draft Amendments to the Law on Customs Tariff	Draft is submitted to the President’s Office. ACT is working with President office on incorporating and keeping compliance of provisions related to valuation of interest charges, valuation of IP subject products and damaged goods.

“Second Legislative Action Plan”

At Cabinet of Ministries

Draft Legislation	Comments
11. Amendments to the Law of Azerbaijan Republic on Commercial Secrets, No. 224-IIQ dated 4 December 2001	At the Cabinet of Ministers. Ready for submission to the President’s Office. ACT will work with President Office to introduce additional improvements.
12. Amendments to the Law of Azerbaijan Republic on Legal Protection of Topologies of Integral Schemes”, No. 337-IIQ dated 31 May 2002	At the Cabinet of Ministers. Ready for submission to the President’s Office. ACT will work with President Office to introduce additional improvements.
13. Amendments to the Civil Procedural Code of Azerbaijan Republic No. 780-IQ dated 28 December 1999	At the Cabinet of Ministers. Ready for submission to the President’s Office.
14. Amendments to the Criminal Code of Azerbaijan Republic, No. 787-IQ dated 30 December 1999	At the Cabinet of Ministers. Ready for submission to the President’s Office. ACT will work with the President Office’s to introduce additional improvements.
15. Amendments to the Code of Administrative Offences of Azerbaijan Republic, No 906-IQ	At the Cabinet of Ministers. Ready for submission to the President’s Office.

Draft Legislation	Comments
dated 11 July 2000	
16. Draft Resolution of Cabinet of Ministers on "some issues related to the granting international standard numbers to books, periodic publications, audiovisual works and audio records	At the Cabinet of Ministers. Ready for adoption.

At Ministry of Economic Development/Ministry of Justice:

Draft Legislation	Comments
17. Amendments to the Law on Phytosanitary Control, No. 102-IIIQ dated 12 May 2006	Draft has been finalized by the Ministry of Justice and forwarded to the Ministry of Economic Development for further submission to the Cabinet of Ministers.
18.	
19. Amendments to the Law on Veterinary - No. 922-IIQ dated 31 May 2005	Draft has been finalized by the Ministry of Justice and forwarded to the Ministry of Economic Development for further submission to the Cabinet of Ministers.
20. Draft Law on Anti-Dumping, Safeguards and Countervailing Measures	Draft Law has been finalized at MOED in close cooperation with ACT and sent to the Ministry of Justice for review. ACT will continue working with the Ministry of Justice in order to keep WTO compliance.
21. Draft Law on Foreign Trade Activity	Draft Law is being reviewed by the Ministry of Justice. ACT provided comments to the Ministry of Justice.

At Ministerial Level:

Draft Legislation	Comments
22. Draft Law on Plant Variety	Draft finalized at the Ministry of Agriculture taking into account ACT's review and additional suggestions for improvements.
23. Draft Resolution of Cabinet of Ministers on Approval of "Rules for determination of the amount of claim related to the violation of the copyright and related rights"	Draft has been submitted to the Cabinet of Ministers.
24. Draft Resolution on Implementation of Interpretative Notes for Customs Valuation	Included to the draft Customs Tariff Law

Adopted Legislation

Laws

1. Law "On Securing Intellectual Property Rights and Combating Piracy adopted by Parliament on May 22, 2012
2. New Customs Code of Azerbaijan Republic, adopted by Parliament on June 24, 2011
3. Amendments to the Law of the Republic of Azerbaijan "On Normative Legal Acts" No. 761-IQ, dated November 26, 1999
4. Amendments to the Law "On Currency Control" No. 910, dated October 21, 1999 (A)
5. Amendments to the Law "On State Duty " No. 223-IIQ, dated December 4, 2001
6. Amendments to the Tax Code of the Republic of Azerbaijan, approved by the Law of the Republic of Azerbaijan No.905-IQ, dated July 11, 2000
7. Amendments to the Law of the Republic of Azerbaijan "On Copyright and Related Rights" No. 115-IQ, dated July 5, 1996
8. Amendments to the Law of the Republic of Azerbaijan "On Viticulture and Wine-Making" No. 208-IIQ dated October 19, 2001
9. Draft Amendments Law of the Republic of Azerbaijan "On Customs Tariff" No.1064, dated June 20, 1995
10. Draft Amendments to the Law of the Republic of Azerbaijan "On Trademarks and Geographical Indications" No. 504-IQ, dated June 12, 1998
11. Draft Amendments to the Law of the Republic of Azerbaijan "On Tobacco and Tobacco Products" No. 138-IIQ dated June 8, 2001
12. Draft Amendments to the Law of the Republic of Azerbaijan "On Patents" No.312-IQ dated July 25, 1997

President Decrees

13. Draft Amendments to President Decree 619 of December 26, 2001
14. Draft Amendments to Decree of the President "On Further Liberalization of Foreign Trade in the Republic of Azerbaijan" No.609 dated June 24, 1997

Sublegal Acts

15. Amendments to the Resolution of the Cabinet of Ministers "On Rates of Customs Duties for Import and Export Transactions and Amount of Fees Charged on Customs Clearance in the Republic of Azerbaijan" No.80 dated April 12, 2001
16. Amendments to the Resolution of the Cabinet of Ministers "On the Rates of State Fees on Issuance of Special Permissions (Licenses) for Activities Requiring Special Permissions (Licenses)" No.180 dated 18 November 2002
17. Amendments to the Resolution of the Cabinet of Ministers "On the Rules for Customs Valuation Methods for Goods Imported into and Exported out of the Republic of Azerbaijan" No.7 dated January 12, 1998

18. Amendments to the Resolution of the Cabinet of Ministers “On Approval of the Rules of Determination of Origin of Goods” No.202 dated November 2, 2000
19. New Resolution of the Cabinet of Ministers “On Rules on Determination of the Minimum Amount, Distribution and Payment of the Author’s Royalty for Reproduction of Works and Audiovisual Works from Phonograms for Exclusively Personal Purposes”
20. Draft Amendments to Cabinet of Ministers “On Rates of Fees Paid for Currencies Taken of the Republic by Resident Physical Persons” No. 79 dated 17 May 2002
21. Draft Amendments to Resolution No. 140 “On Approval of Additional Rules and Regulations for the Purpose of Protection of the State Border of the Republic of Azerbaijan” dated March 9, 1993
22. Cabinet of Ministers Order establishing National Codex Point was adopted
23. Decision of State Committee for Standardization, Metrology, and Patents on Establishing TBT Enquiry Point was adopted
24. Cabinet of Ministers Order “On Application of Set of Codex Alimentarius Standards” dated 23 July, 2010 establishing National Codex Point
25. Resolution of Cabinet of Ministers of Republic of Azerbaijan on the "Rules for keeping register of the goods containing objects of intellectual property rights", dated December 28, 2012 No. 323

Other Related Laws (not on agenda):

26. Law on Ecologically Clean Agriculture No. 650-IIIQ dated 13 June 2008
27. Law on Special Economic Zones No. 791-IIIQ dated 14 April 2009
28. Amendments to the Law on Public Procurements No. 245-IIQ dated 27 December 2001 (concerning establishing an official website on public procurement) – adopted as one of the seven laws considered as package for combating corruption

Annex 2 – Capacity Building

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants- Male	# of Participants- Female
3	BDS and LE Workshop	Workshop	10/16/2012	10/17/2012	ACT Project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	14	0
1	The E-Learning Program of The Financial Monitoring Service of The Azerbaijan Republic	Presentation	10/23/2012	10/23/2012	ACT Project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	40	21
2	Trade Remedies	Workshop	11/1/2012	11/1/2012	ACT Project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	3	1
2	Trade Remedies	Workshop	11/6/2012	11/6/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	3	2
3	Use of Technology Equipped Cold Storage Management	Workshop	11/16/2012	11/16/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	18	0

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participants-Female
3	Cold Storage Equipment Repair and Maintenance	Workshop	11/20/2012	11/20/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	12	0
3	Promotion and Marketing for loan officers	Training	11/29/2012	11/29/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	21	0
3	Agro-lending for loan officers	Training	12/4/2012	12/4/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	24	0
1	Secured Transactions Reform: Next Steps	Conference	12/4/2012	12/4/2012	ACT project, jointly with IFC	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	48	5
3	Use of Technology Equipped Cold Storage Management	Workshop	12/5/2012	12/5/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	14	0
3	Use of Technology Equipped Cold Storage Managment	Workshop	12/7/2012	12/7/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor	14	0

Component	Name of the Event	Type of the Training	Start Date	End Date	Training Provider	Training Provider's Address	# of Participants-Male	# of Participants-Female
						Baku, AZ1009, Azerbaijan		
3	Cold Storage Equipment Repair and Maintenance	Workshop	12/11/2012	12/11/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	6	0
1	SME Development Workshop	Presentation	12/19/2012	12/19/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	18	4
2	Introduction of e-Procurement in Azerbaijan	Training	12/27/2012	12/27/2012	ACT project	133 Bashir Safaroglu str. SAT Plaza, 15th floor Baku, AZ1009, Azerbaijan	8	0